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- Maharjan, Pancha Narayan. 2000. "The Maoist Insurgency and Crisis of Governability in Nepal." In Dhruba Kumar (ed.), *Domestic Conflict and Crisis of Governability in Nepal*. Kathmandu: Centre for Nepal and Asian Studies, Tribhuvan University, pp. 163-196.
- Khatri, Sridhar K. 2001. "Teaching of International Relations in Nepal." *Contributions to Nepalese Studies*, 28:2, pp.139-154.
- Shrestha, Bal Gopal. 2002. "The Ritual Composition of Sankhu: The Socio-Religious Anthropology of a Newar Town in Nepal." Unpublished Ph.D. Thesis. Leiden University.

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CONSEQUENCES OF THE MILITARIZED CONFLICT AND THE COST OF VIOLENCE IN NEPAL

Dhruba Kumar

Three days after the gruesome assassination of the Inspector General of the Armed Police Force, Krishna Mohan Shrestha, the Government and the Maoists separately announced the 'cease-fire' for the second time on January 29, 2003. Till that day, the violent domestic upheaval had claimed nearly 8,000 lives. Of these perhaps 80 per cent of the casualties of violence was the civilians rather than the armed combatants. If one were to define this conflict in accordance with the international parameter of civil war averaging the death toll of 1,000 persons a year, the Nepali situation confirms to this pattern.

The observation made by the former Secretary General of the United Nations, Boutros-Ghali rings true in this context when he says the "fierce new assertions of nationalism and sovereignty" accompanied by the "new assertions of discrimination and exclusion," (Boutros-Ghali 1995) have added complexities in internal dispute settlement by transforming the characteristics of domestic conflicts with devastating consequences caused by violence, massacres, human rights abuses, mass population exodus and disruption of socio-economic bases threatening the state structure, thus inviting repression by military means. The repressive measures that the governments have taken have multidimensional impact on the societies in question. The security first decision taken by the governments has, on the one hand, feed the interests of security sectors and the associated agencies in both quantitative and qualitative increase in armament and, as a consequence, their influence in national decision-making process. Such a process, in sequence, encourages militarism impacting on the social sphere and disrupting democratic process.

Advocacy for sharpening of the military edge has discouraged the demands for basic needs, on the other hand. Social sectors are denied their claim for development with the argument that development cannot occur without defence. Though violence is directly related to political structure of a given state, its severe impact on society and development is glaring as a consequence of the state's reaction to the challenge. Socio-economic decline is one of the noticeable effects caused by the violent conflict as the transfer of resources to security needs of a state becomes the policy imperative. The profound search for security of the regime leading to the state sanctioned violence, in other words, increase in the structural violence, would not only be expensive as well as destructive but also would be ineffective as resistance and reaction to state reprisal grow. The forced closure of hundreds of schools in Nepali villages and development works with government's diversion of funds to security needs is an example that militarization can set and burgeoning domestic conflict costs. The fall out is obvious. Social cleavages would further develop and conflict ensues. When the governments insure violence through militarization, the insurgents transform themselves to terrorism moving targets from forces of repression to innocent civilians and infrastructure destructions. Despite its different facets and definitions, terrorism has been most pertinently defined by Carr as the "warfare deliberately waged against civilians with the purpose of destroying their will to support either leaders or policies that the agents of such violence find objectionable" (Carr 2002: 6).

The Maoist insurgency in Nepal has created ruptures in society, economy and politics. The conflict unending has not only proved the inefficacy of the Nepali State in managing the challenge but also exposed the institutional fragility of the State in coping with disorder with rising cost of conflict. Along with the intensification of the violent conflict has intensified the enormity of cost as a premium. And when the conflict is not limited to the combatants and the State is razed as a battlefield, assessing the impact of the conflict and estimating the cost becomes difficult. Though the economic cost of violence can be quantified, the human and social costs and the psychological trauma of the people can never be really assessed properly. The problem of verification even in the case of estimating economic cost remains in a data scarce or an information lapsing country like Nepal. Some scholars have suggested certain measures to estimating costs of violent conflict (e.g. Arunatilake et al 2000; NPCS 2001; Kelegama 2002), and sensitized the issue for serious consideration by

countries engaged in domestic conflicts.¹ Their works have drawn increasing interests and attention towards studying the socio-economic effects of violent domestic conflicts particularly in South Asia where social science studies on such aspects are still in infancy.

The discussion below can thus be considered an exploratory attempt to contextualize the case of Nepal in understanding the socio-economic costs of violent conflict. This is only a preliminary and provisional assessment reflecting on the costs of violent conflict in Nepal rather than a comprehensive scientific assessment on the subject in actualizing the losses. In order to understand the issue, the paper begins with a brief overview of the context leading to the Maoist insurgency and militarized conflict in Nepal. Following this, the consequences of violence are assessed. Third, the cost of violence would be appraised within the framework of the direct, indirect and long-term cost categories. This will follow by some preliminary estimates of the cost of violent conflict. Finally, the paper will assess the total estimated costs and conclude with some observations.

Overview of the Situation

Situated landlocked in the high Himalayas with high a cost economy Nepal is identified as one of the least developed countries in the world. Constitutionally, Nepal is a declared Hindu State but with a multinational society. Out of 23.15 million populations that the 2001 census has recorded some 80.6 per cent is Hindu and 10.7 per cent Buddhist with 4.2 per cent Muslims, and other minority religious groups (NPCa 2002).

Traditionally, the country is a monarchical state where the institution of the Hindu monarchy remains above the law of the land. Social system following the Hindu ethical code is thoroughly discriminatory. Caste has become the socially dominant phenomenon and an exclusionary social institution in the construction of social hierarchy restricting claims to social opportunities by those considered low caste, impure and untouchables in the social sphere. Social exclusion, therefore, is chronic and all pervasive. On the other hand, patrimonialism functions unassailed despite the political change from absolute to constitutional monarchy. The institutional role of the State has continued to be monopolistic by design. Social opportunities are denied to the majority and concentrated in the hands of the minority with the mode of social relationships based on patron-clientele system. The

multiparty polity in the post-1990 period had reinforced this embedded social structure rather than discouraged it (Kumar 2001).

At the functional level, the economy of Nepal stands at the margin. Gross Domestic Product slumped to a negative growth rate of - 0.5 per cent in 2001/02. The Central Bureau of Statistics has computed the negative trend in the growth rate as being dismal at 0.43 percent in the first 8 months of the fiscal year 2002/03 (Himalayan Times May 15, 2003). Dependency on the external sources has increased in terms of aid and loan. Foreign Direct Investment (FDI), on the other hand, decreased simultaneously with the challenges facing the State. In 2001, Nepal received \$21 million FDI, which is down by more than 50 per cent in 2002 at \$10 million. The poor showing of the FDI is one of the direct consequences of the opportunity cost lost. Per capita income, on the other hand, remains at \$236. But the income inequality has widened sharply between the urban and rural population. According to the data available for the year 1997, Nepal's average per capita was \$142 with a regional variation of \$298 for urban areas and \$131 for rural areas. The people living in Kathmandu – the capital of the country – had a per capita income of \$446 compared with \$146 in Eastern Tarai, \$110 in Mountains, and \$107 in Western Tarai. The bottom 20 per cent of the household in Nepal then received only 3.7 per cent of the national income, while the top 10 per cent had a share of nearly 50 per cent (NSAC 1998:114). The rampant poverty coupled with the high illiteracy rate, unemployment, gender inequality and deprivation feature the part of structural violence. As basic necessity to the people is denied, social vulnerabilities have added to the condition of human insecurity. The festering problems of poverty and social inequality have further damaged the national ethos.

Politically, the Nepali State is juxtaposed between the pulls and pressures of systemic change caused by democratization. Demands channeled by legitimate forces were hardly met. Despite the reform measures undertaken by the governments in the socio-economic and political spheres, their behaviour betrays their commitments. Instead, corruption and incompetence marred the political system. The third largest political party represented in the House of Representatives between 1991 and 1994, the United People's Front (*Samyukta Jana Morcha*) – the previous incarnation of the Maoist Group – had submitted a 40-point demand related to nationalism, public welfare and people's livelihood to the government on February 4, 1996 with the ultimatum of otherwise

launching a movement in case the government fails to respond (UPF Demands 1996). These demands were put to the government against the background of the State suppression through 'Operation Romeo' in September 1995 against the activities of a faction of the United People's Front who were declined to be given the recognition of being a political party, thus, denied participation in the 1994 mid-term elections. In May 1998, the Kilo Shera II police operation invited fierce resistance and retaliation by the Maoists. But they had not disturbed the national election to proceed on schedule in 1999. Subsequently, despite the imposition of national emergency and the counter-insurgency mobilization of the armed forces, the democratic governments had largely failed to contain the spreading Maoists' violence. Ultimately, as the caretaker government under the democratic political dispensation could not hold the national elections for the House of Representatives as stipulated in the Constitution 1990 due to Maoists' violence, the king reasserted the executive power of the State by dismissing the government for being "incompetent" on October 4, 2002. The consequence obviously is that not only has the Maoists' insurgency destabilized the Nepali State, it has but also destroyed the democratic polity established after the successful *Jana Andolan* of 1990.

The Nepali State, thus, has failed both in its institutional and functional roles. Statism is generally premised on the concept of three integrative functions: security, representation and welfare. In neither of the institutional obligations of the State, Nepal has qualified its existence in the domestic sphere, except from being able to carve the recognition from the Westphalia international system. Functionally, with depleting resource base and diminishing productive capacity, Nepal has become a classic case of the rent-seeking state as its vulnerability related to economic survival is conspicuously pronounced. In this sense, Nepal remains a traditional state that do not govern but control through coercive measures in which the "state [is] triumphing by the hands of executioner" (Sorel 1941:121).

Within the past decade, Nepal's image from a peaceful, though, a poor democratic country has changed dramatically. Central to this change has been the violent upsurge of the Maoists that has encompassed the country totally. Power politics that the democratic competition fostered had led some of the major political parties to name the Maoists as the friendly forces and had lend them both moral and material support till their cadres were made the targets of the Maoists onslaught. The Maoists were also thought to be an extra source to balance the party politics and

electioneering process – particularly in the 1997 elections to the local bodies – and turn the results in one's favour. The mess that the politics created has led to enhance the Maoists' resolve.

The violent spread of the Maoists' movement can be described in three phases: *Phase One* – February 1996 to July 2001 (before the truce I), *Phase Two* – November 2001 to January 2003 (before the truce II), and *Phase Three* – after truce II. Beginning with a political demand for restructuring the State, the Maoists movement has entered the intensified guerrilla war with numerous districts in Western Nepal under their control by expanding base areas, forming "people's governments," and ultimately instituting the United Revolutionary People's Council with the leadership of Babu Ram Bhattarai to govern Nepal under the "Naya Satta" (new regime). Although the Maoists have yet to establish their firm roots with control of any territory inside the country, they had been given the benefit of doubt of having a new regime with the People's Army by the Chand government while negotiating for the "cease fire" of January 29, 2003.

During the phase I, despite the governments' restraint, reaction and reprisal of the Maoists' activities, the State remained uncertain on the question of dealings with the growing menace. Though the parliament had tried unsuccessfully to adopt the anti-terrorism law on several occasions, the public pressure and political opposition had averted the attempt. Commissioning of the studies on the Maoist problem had produced reports; particularly the Dhimi Commission report in 1997 had recommended political initiatives for the resolution of the problem peacefully (Dhimi Commission 1997). Another report prepared by the Deuba Commission in 2000 had likewise stressed on negotiation urging the government to create conducive environment for talks (Deuba Commission 2000). On the other hand, governments since 1997 had considered the use of the force but to no avail. Despite the attrition of the civil police forces, the governments thus were undertaking a policy of appeasement towards the Maoists and bring them to the negotiation table. In July 2001, through a dramatic turn of events leading to the resignation of the Prime Minister Girija P. Koirala² (Rising Nepal, July 20, 2001), the Maoists agreed to a truce with the successor government led by Sher Bahadur Deuba even before the new prime minister had taken the oath of office.

Phase II was followed by the failure of the three rounds of negotiations subsequently held after the announcement of the truce I on July 23, 2001 (Rising Nepal; Dristi Weekly, July 24, 2001). The issues in contention

were the Maoists demands for the (1) announcement of an interim government, (2) election to the constituent assembly, and (3) institutionalized development of a republican system (Kumar 2001). Although the government had recognized the Maoist as a political force to negotiate with, it had however refused to budge. The government had conveyed its position on monarchy and multiparty democracy as non-negotiable that led the Maoists to withdraw from the talks and resume violence by striking at the military garrison. Consequently, the government had declared the state of emergency, announced the Maoists as terrorists, adopted the anti-terrorist act and released the military from the barracks for counterinsurgency mobilization.

Another turn of event led to the truce II. The king's assertion of the executive power of the state on October 4, 2002 has led to the emergence of dramatic personas in the Nepali political scene. Though the political context has become triangular between the king, the dismissed political parties upholding the constitutional order and the Maoists bent to destroy the old order represented both by the monarchy and multiparty democracy, the pairing of them representing diverse ideals proved difficult. These three groups in the triangle remain uncompromising.

Although the king and the political parties have upheld the virtue of the constitutional monarchy and multiparty democracy, divergence of views on the constitutional context remains. The parties believed that the king had overstepped his constitutional role by asserting the executive power and favoured reinstatement of the dissolved parliament as a compromised position. The king, on the other hand, intends the political parties to remain subservient to his will through the practice of 'guided democracy.' Yet the political parties have shunned the Maoist violence and have not bought the Maoists' proposal of dethroning monarchy. Political parties that remain the only constitutional and legitimate force in the triangular context for political power and democratic order have apparently lost the contest at the moment as they represented only the power of the silent majority of the people, not the power of the coercive forces controlled both by the king and the Maoists. The arrogance of power cushioned by the forces of violence has led the government appointed by the king to withdraw the terrorist tag, red corner notice and bounty from the heads of the Maoists as *salami* to bring the Maoists to the negotiation table through separate statements announcing the truce on January 29, 2003, throwing the political parties at the margins.

The truce II begins the Phase III leading to the adoption of the code of conduct by the protagonists and the two rounds of negotiations under the Chand government appointed by the king. However, the controversy over the agreed decision on confining the military within the five kilometers of the barrack came to the fore as a member of the government negotiation team publicly disputed the agreement and the army defied the decision. Subsequent to the controversy Prime Minister Lokendra Bahadur Chand resigned (dismissed) from his post and Surya Bahadur Thapa has been appointed by the king as the new prime minister on June 4, 2003. This change in the government did not change the issue. Adherence to the previous commitments remains the Maoists' precondition for a deal. The national trepidation continues.

Between February 1996 and the first half of 2003, Nepal has been in the midst of devastating crisis that has increasingly threatened to tear the country apart. Talks initiated by the parliamentary government previously broke off due to the absence of an overall strategy on the part of the government in 2001. Following this, the government took a number of measures to increase security; for example, emergency was imposed, anti-terrorist law adopted, military mobilized and parliament dissolved to sidestep legislative hurdles. Despite these efforts to bolster the government's military policy to crush the Maoists, insurgency grew by leaps and bounds. Rising death tolls of the 'Maoists' caused by the indiscriminate killings by the security forces who were provided impunity by the anti-terrorist law, however, did not compensate for the loss of face of the government concerning human rights of the citizenry (AI 2002). The government has lost administrative control of territories even in some district surrounding the Kathmandu valley only with its weak and symbolic presence in the district Head Quarters. Leading to disintegrating civil order, the horrendous level of violence has contributed to social chaos. Continuity of this trend would certainly make Nepal a classic case of a failed state that apparently has already occurred with the collapse of the state authority³ (King and Zeng 2001: 625).

Consequence of Conflict and Violence

Nepal had previously experienced rebellions and violence in history. The case presented by the Maoists insurgency is, nevertheless, overwhelming and unprecedented in consequence. This long festering violence initiated by

the non-state actors has created a tremor in the national life. This conflict has a widespread impact on the people in unnerving them with growing sense of vulnerabilities and insecurities, despair and hopelessness, which is compounded by the failures of successive governments to assure the people of their safety. Contrarily the senseless measures that the governments have taken in the name of security have further harassed the people on the roads and pavements, and at homes through mid-night knock at the doors. There is no legal redress to the people arrested, kidnapped, killed and disappeared. Thus, the political, social and legal rights of the people have eroded sharply as civilians have become the suspect in the eyes of the State in uniform.

The Nepali people have supported the government's anti-terrorist resolve expecting the rule of law to prevail. People are now thoroughly disappointed because the government has used terrorism as a façade to overcome all the likely oppositions to its policies and practices. Though the government has taken multifaceted measures to face the terrorist menace, the priority, however, has shifted to the militarized approach in resolving the conflict. The large-scale funding of the security forces, despite its abysmal human rights record, is evidently an aid to the militarized approach. The continued strengthening of the security forces in effect sanctions the abuses. Military actions and collateral damages have increasingly become permissible as conflict ensues. Despite the prescient warning (Kumar 2003) against such a policy, the government is preparing to inflame the conflict as the global "war on terrorism" has assured of its needs.

Second, the military has obtained a considerable leverage against the government by dictating its terms of engagement in the domestic conflict. This has happened because of the weakening of civil authority at a time of political crisis confronting the violent conflict. Due to the inter-and-intra-party rivalries, the political leadership was badly split and the competence of the government to cope with the violent challenge was severely undermined, as the army under the supreme command of the monarch was demanding for a national consensus to get mobilized. Evidently, both the Home Minister and the Prime Minister had lost to the army in the contest for civilian supremacy and the military subordination to the elected authority.⁴ The unprecedented challenge posed by the violent domestic conflict, however, brought about the military into prominence with the collapse of democratic authority. Under the monarchy, the army has

become the sole arbitrator of national policymaking in determining the course of actions against the Maoists.

The situation, thus, has exposed the institutional inefficacies of a decadent state by throwing the government into wilderness. The government has expanded its roles subscribing to the recommendations of the security forces and currying favours from the advisors on counter-terrorism activities, which obviously is a synonymous for state terrorism. The part of the problem is such that the networking of the state in its anti-terrorist drive has instilled an intensive fear of impending harm and inscribed torture and even death in the general psyche of the people. Another part of the problem is that it is not necessary for the state to demonstrate credulity in the exercise of meeting its political ends through naked violence, but through subtle means applied with politically convenient measures in discouraging opposition to the government's position.

Third, the political conflict has given a lease of life to the bogus people to bounce back to the central stage of national politics as patrimonialism writ large. This is the case reflecting on the unintended consequence of radicalism promoting conservatism and encouraging political right in making democracy an expendable commodity. Violent conflict in Nepal has damaged the political ethos with severely undermining democratic practices by forcing governments to rely heavily on security forces and, in turn, overridingly influenced by the latter in the decision-making process. The impact of violence on political institutions and society is therefore considerable that cannot be statistically measured and economically explained.

Fourth, the violent conflict in Nepal has, however, become a war on national debilitation in economic term. Already condemned to live on the economic margin, the Nepali State has lost the capacity to cope with the stress caused by the violence. Losses of agriculture production, declining industrial outputs already running under capacity and the absence of labour caused the economy to slump. For example, the ferocity of economic effects caused by the Maoists' violent thrust has been recorded by a report based on the field survey of 53 districts in Nepal. It says about 427,500 landowning people throughout the country and more than 2.5 million persons from their homes are displaced. Almost 70 per cent of cottage industries in the rural areas are closed and agricultural production has declined drastically in the absence of labour forces of both sexes (CESOD

2003). Likewise, the Economic Survey 2002/03 has noted the disturbing economic scenario caused by the plights in the agriculture sector, which remains the backbone of the national economy (MOFa 2003). Decreasing exports and increasing imports even for subsistence has presented a chasm between the purported policy of economic development for arresting market and the state of underdevelopment in Nepal. The round about effects of the violence conflict thus is de-development of national economy requiring a long-term recuperating period.

Finally, the violence has disrupted social fabric. Dislocation and mass exodus of people from their domiciles swollen the number of internally displaced peoples (IDPs), some surviving on the Rs.100 a day dole provided by the government, and others waiting for the relief. Though the government has no accurate record of the IDPs, the data of some 2.5 million people displaced (CESOD 2003) are not disputed either. Of these forcibly ejected people, over 600,000 people had migrated to India by crossing over the open border. This is normal in the case of Nepal whenever troubles strike the question of survivability. On the other hand, crowding of the Kathmandu city and reports on the rise of petty crimes coupled with widowhood and orphanage are some of the grievous consequences of increasing social anomalies caused by the violent conflict.

Measuring the Cost of Violence

Simple arithmetic method is not followed while calculating the cost of conflict. As the cost involves the concept of Human Security, comprehending the dimensions of human cost of conflict is rather difficult. But for general understanding, three crucial elements are undertaken as explanatory tools to assess the cost of conflicts dividing these into direct cost, indirect cost and the long-term cost. The direct cost relates to the process of damages and destructions caused by the conflicts both in physical and infrastructure spheres and the consequent militarization of the social sphere incurring the high costs of armament and resources debilitation. The indirect cost incorporates the effects of the conflicts that will be assessed in terms of the loss of production, investment and capital flights, and income from the service sectors, etc. The long-term cost is the consequence of the first and second costs factored to aggravate the social, economic and political impact of the conflicts causing instability and uncertainty as well as decay in the institutional capacity of the democratic

state to sustain the process, as exemplified by the case of Nepal. According to some studies, the direct cost includes estimates for (a) direct government military expenditure, (b) opponent's [Maoists'] military expenditure, (c) government expenditures on relief services, and (d) the cost of lost infrastructure. The indirect cost includes (a) Businesses losses due to Maoists, strikes and bandhs, (b) lost income from reduced tourist arrivals, (c) lost earnings due to lost foreign investment, (d) lost income due to lost human capital of dead or injured persons, (e) lost income due to displacement, (f) output foregone [in the affected areas], and (g) lost income due to foregone public investment (Kelegama 2002; Arunatilake et al 2000). The discussion below follows accordingly.

While measuring the costs and the consequences of the militarized conflicts in Nepal, it should, at the outset, be noted that the infrastructure destruction caused by the conflicts cannot be valued only with a price tag because such damages and destructions, unlike in the industrialized and economically affluent countries of the West, cannot be repaired and recommissioned immediately for use and utility. Being underdeveloped area of the world the economic cost of the infrastructure damage could be low but can be unaffordable for both the state and society. Again because of the perceptual impact of the assaults on the infrastructure symbolizing the pride of the state could deeply become a factor in assessing the cost and consequence of damage or likely damage caused by the conflicts. For example, the case of the 9/11 that destroyed the twin towers of the World Trade Center in New York has led to international uproar against terrorism.⁵ A comparable but more significant case was the December 13, 2001 terrorist attack on the Indian Parliament in New Delhi, which, though, caused the war hysteria in India, was taken entirely in different perspective by the world. Thus damages caused by the Maoist insurgents in Nepal on a telecommunication repeater tower in some remote districts of the country could be valueless to the people of the world beyond, but for a country that has built the repeater tower with foreign aid and technology, its use value and utility cost is not less significant.

Direct Cost

Assessing the cost of conflict even in terms of the direct cost is certainly an uphill task. Because the methodology adopted to calculate the cost may vary sharply in each and every case. For example, Nepal, though involved

in several skirmishes and conflicts militarily internally, has yet to mention the military operation cost separately in the defence budget. The Nepali defence budget contains the gross estimates of expenditures for a fiscal year classified into service-wise and category-wise budget estimates. Allocation of budgetary resources for defence generally can be understood as indicator for security expenses. But these are moreover the maintenance cost expenditures of the armed/security forces rather than operation expenditures. Similar is the case with the paramilitary, police and other agencies tied to security. Thus, one has to rely mostly on the guesstimates to describe and determine the operational cost of conflict. For instance, the operational cost of conflict in Nepal is estimated at Rs.10 million a day since the declaration of national emergency on November 26, 2001. This operational cost makes up of supplies from food⁶ to fuel and special allowances to the security forces. But the amount cited could be a figment of expenditure incurred in reality. Reportedly, within the first month of military mobilization after the declaration of emergency, the national exchequer has to spend Rs.500 million more than the stipulated cost for counter insurgency by transferring 50 per cent of originally disbursed Rs.2 billion for the aid of Village Development Committees (VDCs) amounting to Rs.1 billion (Kantipur, January 26, 2002).

Table 1: Defence Expenditure 1991/92 -2001/02

Based on Budget Estimates	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Def. exp. as percentage of GDP	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.1
Def. exp. as percentage of total government exp.	5.4	5.2	5.3	4.5	4.3	4.2	4.2	4.3	4.5	4.3	4.5
Based on Actual Estimates											
Def.exp.as percentage of GDP	1.0	1.0	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	1.4
Def. exp. as percentage of total government exp.	5.6	5.6	5.6	5.1	4.6	4.6	4.6	5.0	5.3	4.8	7.0

Source: Based on the Expenditure Allocation Books popularly known as the Red Book for the years indicated.

Table 2: Trends in Budgetary Allocation under Crucial Headings in Nepal
(in NRs. 000)

Fiscal Year	Total expenditure	Regular expenditure	Royal Palace	Defence	Home	Social Services#	Debt Servicing
1990/91	19,791,000	7,465,000	42,295	1,113,888	750,307	751,259	2,308,000
1995/96	51,647,800	22,821,500	64,165	2,193,900	1,935,200	1,589,550	7,226,500
2000/01	91,621,335	43,512,746	929,65	3,816,488*	5,959,678* +1,856,000**	9,482,150	12,762,800
2001/02	99,792,212	49,321,941	116,285	5,829,776*	7,528,693*	13,533,612	14,114,000
2002/03	96,124,796	57,445,121	387,900+ 231,163<	7,494,805*	7,699,865*	14,129,865	16,347,469
2003/04	102,400,000	60,555,000	329,175	7,184,221	7,053,671	20,650,576	17,551,116

* Indicates actual and revised estimates;

** the amount was allocated for raising the armed police forces to strengthen security situation.

< The amount indicates the development expenditure for the King and the Royal Palace as classified in the Nepali version of the Budget Document of 2002/03, p. 8-1.

Social Service expenditures include both regular and development expenditures on Education, Health, Drinking Water, Local Development and other services.

Source: *Budget Speeches, Kathmandu: Ministry of Finance, Documents of the Years Indicated.*

In the year 2001/02 the estimated defence allocation was Rs. 4,512 million. However, the revised estimate of expenditure shows an additional increase of Rs.1,309 million reaching the total expenses to Rs. 5,821 million. On top of it, as per the Ministry of Finance sources, nearly Rs. 5,000 million was allocated for security related expenditure after the declaration of national emergency on November 26, 2001. The total security expenditure for the FY 2001/02, including Rs. 7,529 million under the Home Ministry, therefore, was approximately Rs. 18,350 million. This is over 50 per cent increase in the amount of the initial estimate of budgetary allocation on that particular year. The finance ministry also disclosed that Rs.4 billion had already been transferred from development sector to the security sector. Despite this, demand for extra amount of Rs.12 billion over the regular budget allocated for the subsequent year is mounting, which, according to the finance minister, would crumble the nation economy⁷ (Rajdhani, May 1, 2002). The following year in 2002/03, the revised budget estimate puts a figure of combined security expenses at Rs.15,194 million (MOFa 2003: 58).

The increasing security needs of Nepal are also partially met from the friendly sources. In the year 2002/03, the United States has committed \$17 million (Rs.1.33 billion) for defence related assistance; the United Kingdom provided 6.5 million sterling pound (Rs.780 million) for security related expenses. India provided IRs.2 billion (Rs.3.2 billion) worth of military hardware and equipment with a promise of IRs. 1 billion worth of arms assistance (Kathmandu Post, April 25, 2003). The government, on the other hand, has imported 5000 units of M16 A2 rifles from the United States along with 5500 units of Belgian guns as the first instalment of supplies to the army. Along with this the Deuba government had disbursed Rs. 780 million (\$10 million) for the purchase of one unit of Sky truck, 1 unit of MI-17 helicopter and 1 unit of Eural Helicopter in July 2002 (*Dristi Weekly*, May 13, 2003). Thus the total security expenditure (budgetary allocation and foreign aid combined) amounts to Rs.21,284 million in 2002/03 exclusive of the cost incurred by the supplementary spending. At the conservative estimate, security expenditures of the two fiscal years (2001/02 and 2002/03) make a total of Rs.39,634 million. This is equivalent to 10 per cent of the Nepal's 2000 GDP at factor cost.⁸

Earlier, the government had balanced the military demands for arms with social needs. In the period of normalcy, Nepal had imported arms worth \$20 million in 1988. An additional weapon of \$10 million was

imported in 1990. In 1994, another \$10 million was spent for arms purchase (USACDA 1996: 137). Acquisition of 3000 units of M16 rifles was made in 1998 (Kumar 2002). The Procurement Office of the Masters General of Ordnance Department of the Royal Nepal Army Head Quarters, in an advertisement on May 8, 2001, had notified the arms dealers for enlisting the specifications of arms ranging from communication equipment to Armoured Personnel Carrier (APC), Military Aircraft and Battle Tanks (Gorkhapatra, May 8, 2001). Exactly two years after, such advertisement again reappeared in the government newspaper (Gorkhapatra, May 14, 2003), which is an indication of arms spiral in the period of crisis. The security forces had, however, put a priority on the acquisition of 17 military helicopters for their mobilization needs.

According to the fiscal year 2002/03 financial allocation, the comparative per capita cost expenditure on 50,000 Army is Rs.144,564 (US\$1,853) and 40,000 Police is Rs. 157,596 (US\$2,020), whereas the total per capita cost expenditure on General Administration comprising some 113,000 civil servants employed at the Prime Minister's Office, Cabinet Secretariat, National Planning Commission along with under 21 different ministries is Rs. 30,377 (US\$389). The National per capita in the year 2001/02 was US\$ 246. (Budget Speeches, 2001 and 2002; Economic Survey 2001/2002). Recruitment in the army has begun in accordance with the military plan of developing a Corps and Command Head Quarters. With over 3 Division plus of armed forces (63,000),⁹ 25,000-strong paramilitary (armed police) and 42,000 civil police sustained by the invisible forces of the Intelligence services and the security bureaucracy, the concomitant expansion and expenses are encroaching upon the social sectors. The planned expenses of \$70 million for weapon purchase would be an additional burden for an already shrinking national economy (Bhattarai 2001). For example, the combine security expenses comprising the Defence and Home Ministries in the year 2001/02 was 23.13 per cent of the total regular expenditures, which progressively reached 25.63 per cent in the fiscal year 2002/03. Comparably, the ratios of debt servicing were 28.62 per cent and 28.46 per cent respectively in these two fiscal years (MOFb 2001 and MOFc 2002). Thus, security spending and debt servicing combined gobbles up nearly 55 per cent of regular expenditures in addition to the emergency security assistance provided by the friendly countries.

Here, it would be of interest to note and contemplate that three weeks before the declaration of national emergency on November 26, 2001, Prime

Minister Deuba had laid a written answer to the 20th Session of the House of Representatives regarding the composition of the Royal Nepal Army. Accordingly, the army comprised of 1,763 ranking officials, 229 officer cadets, 19 medical officer cadets with 45,400 soldiers making a total of 47,411 army personnel (Rajdhani, November 2, 2001). By the time of this writing, the army has fielded 3 Division, 17 Brigade, 42 Battalion and 132 Company along with platoons and sections and 10,000 reserves. The total estimated number of armed forces has almost doubled to some 90,000 (including reserves) in comparison to the number provided at the House of Representatives.

The military strength of the Maoists, however, is thoroughly speculative. In 1998, the estimated number of the hard-core Maoist guerrillas was 2,000plus. The generally agreed number of Maoist guerrillas in 2002 was around 10,000 supported by 15, 000 militias, thus making a total of 25,000 armed rebels (Kumar 2003). Considerable increase in the number of the Maoist force can also be assumed on the basis of the claims made by the government security forces of killing some 4,935 Maoists between February 13, 1996 and October 4, 2002 (INSEC 2002). Likewise, the Maoists as being the indigenous insurgent group has much relied on the local sources of finance rather than external funding. Tracking the sources of the Maoists finance is rather difficult. Their extortion and looting activities as well as funds raised by imposing tax and levy on the people living in the areas dominated by the Maoists and donations volunteered by sympathetic political and business communities are the main sources of the rebel group. The Table 3 below is an indicator for Bank robberies as being the major source of the Maoists' finance followed perhaps by extortion/donation from the more prosperous section of the Nepali society. Even political parties, particularly the CPN (UML), who had treated the Maoists as their first cousins, had reportedly donated Rs. 800,000 to their cause (Deshantar Weekly, July 13, 1997). Some report, therefore, suggests that perhaps the Maoists of Nepal are amongst the richest terrorist groups in the world with the estimated sum accumulated between \$64 million - \$124 million from various sources (Lintner 2002:25). This money converted into Nepali currency amounts to between Rs. 4,992 million and Rs. 9,984 million.¹⁰

**Table 3: Bank Robberies by the Maoists
Rastriya Baniya Bank (National Commercial Bank)**

Date	Branch	Cash	Gold/Silver	Weapons
058/08/10	Salleri, Solukhumbu	15,000,000	5,000,000	4 unit of Guns
058/08/08	Syanja Putali Bazar	1,500,000	undisclosed	4 unit of Guns
058/08/08	Narayanpur, Dang	1,600,000	undisclosed	3 unit of Guns
0580/4/03	Kharanitar	84,000	From the counter	x
05801/02	Dhailadubba, Jhapa	14,500,000	undisclosed	4 units of Guns
057/12/30	Necha Bihibare	5,900,000	undisclosed	4 unit of Guns
057/05/07	Bhajani	100,000	From counter	x
056/09/19	Phalebas	6,100,000	undisclosed	3 unit of Guns
056/08/15	Melunga	2,500,000	undisclosed	3 unit of Guns
No Date	Necha Bihibare, Solukhumbu	1,299,000	4,578,000	x
No Date	Lukla, Solukhumbu	1,900,000	100,000	x

(Cont.)

No date	Arjun Chaupari, Syanja	700,000	600,000	X
No Date	Galyang Bazar	No money	4,500,000	X
No Date	Narayanpur, Dang	1,500,000	4,800,000	X
No Date	Lamahi, Dang	1,500,000	undisclosed	X
No Date	Chaurjahari, Rukum	400,000	1,700,000	X
No Date	Mangalsen, Achham	14,400,000	4,300,000	X
No Date	Payalpata, Achham	550,000	8,000,000	X
No Date	Lalbandi, Sarlahi	100,000	100,000	X
No Date	Lamki, Kailali	5,200,000	undisclosed	X
No Date	Satti, Kailali	200,000	undisclosed	X

(Cont.)

Nepal Bank Ltd.				
Date	Branch	Cash	Gold/Silver	Weapons
058/08/08	Waling	18,200,000	1,600,000	6 unit of Guns
058/08/08	Syanjha	6,600,000	2,500,000	2 unit of Guns
058/08/08	Ghorai, Dang	37,600,000	2,530,000	6 unit of Guns
057/07/22	Haat	2,000,000	x	x
057/06/08	Dunai, Dolpa	43,300,000	2,700,000	4 unit of Guns
056/11/21	Panchadewal, Achham	1,300,000	5,100,000	5 unit of Guns
056/11/20	Bhingri	undisclosed	undisclosed	Undisclosed
056/02/21	Khimti	1,700,000	1,700,000	3 unit of Guns
056/02/03	Gumi, Surkhet	2,500,000	5,400,000	2 unit of Guns
055/07/09	Rukumkot	Couldn't break vault	2,000,000	3 unit of Guns
054/06/(?)	Khahare, Dhading	2,000,000	Transfer money	x
Agriculture Development Bank				
058/08/08	Ghorai, Dang	28,500,000	x	3 unit of Guns

Source: *Himal Khabarpatrika*, December 1-15, 2001, p.17; *Rajdhani* July 29, August 27, 2002.

The dates mentioned are in accordance with the Nepali calendar usually confirming to the English calendar between 1997 and 2001. Quoting the Chairperson of the Rastriya Banijya Bank, Ganesh Adhikari as a source, the Rajdhani Daily says that within the seven years period the Maoists had looted Rs 110 million from 18 Branches of the Bank located at different districts of the country. Of the total amount Rs 475 million was in cash and Rs 555 million worth of gold and silver deposits and ornaments. The *No Date* data in the table are in accordance with the disclosure of the Bank's Chairperson (Rajdhani Daily, July 29, 2002: 9). On August 25, 2002, the Maoists had looted Rs.5.5 million in Nepali currency, Rs.1.3 million in Indian currency along with 14 packets of gold/silver amounting to a total of Rs 10 million from the vault of Nepal Bank Ltd. at Chandranigahapur of the Rautahat district after simultaneous attack on the police post and the Bank. (Rajdhani Daily, August 27, 2002: 1). Similarly, the Maoists had looted a total of Rs.85, 983 from the Rastriya Banijya Bank, Talchok, Pokhara during the busy business hour of 11 A.M. on November 3, 2002 along with a gun and five round of bullets from the Bank guard (Rajdhani Daily, November 4, 2002: 12). On the other hand, *Kathmandu Post* on May 12, 2002 has reported that the Maoists have looted Rs.330 million from different Banks.

As the figures culled from different Bank sources put it, the Maoists have looted a total of over Rs. 110 million from 18 branches of the Rastriya Banijya Bank, Rs. 193 million from 17 branches of the Nepal Bank Ltd., Rs. 43 million from some 187 branches of the Agriculture Development Bank, Rs. 105 million worth of food grain etc. from Nepal Food Corporation, besides the property damages caused by arson. This total makes a lost sum of Rs.451 million. Data gathered from the secondary sources differ with each other that remain to be verified properly. The table should therefore be read in the context of increasing economic activities of the Maoists on resource accumulation spree.

Yet, it would be impossible to classify the money spent on arms and maintenance of the fighting forces by the Maoist high command. The Maoists had initially relied on the guns and ammunition forcibly collected from the homes of private citizens who had kept arms under license. They had also increased their firepower with the possession of looted weapons after successfully attacking several police posts and military barracks.¹¹ As the government security forces in Nepal are lightly armed, it can be assumed that the Maoists are also not better equipped either. Reports of

arms catches by the security forces indicate that the Maoists are heavily relying on the homemade guns and inexpensive but deadly explosives, landmines and mostly on the looted weapons. Acquisition of arms from dubious sources, including AK-47 assault rifles, is frequently reported because of their accessibility in the South Asian underworld. Thus, it can be anticipated that the Maoists are sourcing arms from beyond the country and spending some fraction of their 'income' in equipping the 'People's Army.' A conservative estimate therefore can be made that the Maoists military spending at the most have been 5-6 per cent in comparison to the government spending on the security forces. This amounts to Rs. 1,944.25 to Rs.2,138.25 million. The former figure is more than the government's defence spending in 1990/91 and the latter is equivalent to the government's defence allocation in 1995/96, a year prior to the beginning of the Maoists' 'People's War.'

The Maoists, however, does not function in isolation. They have extensive contacts beyond the open border in the South with the Indian revolutionary organizations like the People's War Group and Maoist Coordination Centre providing them sanctuaries as well as moral and material support. Through an umbrella organization called the Coordination Committee of Maoist Parties and Organizations in South Asia (COMPOSA) formed in mid-2001, the Nepali Maoists have maintained closer ties with Maoists groups of Bangladesh and Sri Lanka. Despite this, the crucial network for the Maoists remains India. Both as a critical support base and as a conduit for weapons supplies through shadowy means, India has become a hub of activities for the Maoists of Nepal in particular because of the multimillion Nepalis residing in various parts of the country. Though, the Indian government in July 2002 had disbanded their flagship – the Akhil Bharatiya Nepali Ekta Samaj – supposedly penetrated by the Maoists, it has, however, not succeeded in squeezing the support for the Maoists.

To comprehend the cost of internal conflicts, also described as the subaltern conflicts, and arrive at a reasonable estimate of the cost, therefore, is beyond the capacity of this author. Although the cost of domestic conflicts has not been computed officially on a comprehensive basis, a substantial, albeit inadequate, way to measure the cost of conflict is to look at how Nepal has raised and strengthened the paramilitary forces besides the police and the armed forces and the expenditure incurred through the budgetary allocations. Nearly 25,000 paramilitary forces that Nepal has

fielded and the tremendous amount of monies spent on them under the expenditure heading of the Ministry of Home Affairs can be factored as the initial cost of conflict. The near doubling of the armed forces after November 26, 2001 as well as has naturally multiplied the basic cost, although expenses on the part of insurgencies and the resultant carnage it caused can never be appraised correctly. Raising of the paramilitary forces through ordinance was a crisis decision made by the democratic government on April 12, 2001. The expenses on the paramilitary forces and the surging number of the armed forces are, therefore, the direct cost of conflict that the fragile economy of the country has to incur.

The economic cost of militarization is directly related to the social sector development needs. Increasing security expenditures in Nepal is influenced by domestic turmoil; the situation would have been different in the case of normalcy. Though the State would have incurred normal expenses for the maintenance of the security forces even in the absence of the violent conflict, the case for raising the paramilitary forces would never have occasioned nor the rapid increase in the force structure of the army would have assumed primacy. The Table 1 above shows defence expenditure, as a percentage of GDP, is constant on the average for over a decade despite an actual increase in the total government expenditures on defence. Conflict costs the State to spend more on security and nudge out the human development having more direct relationships with the economic activities of the country. The repercussion is stark as growth retards with increasing security expenses. Some studies have sensibly established the negative impact of higher military expenses on economic growth (Whynes 1979; Ball and Leitenberg 1984; Ball 1988). In the case of underdeveloped economy of Nepal the impact is more pronounced as the government was even forced to discard the Integrated Internal Security and Development Programme (IISDP) launched in 2001 in view of providing relief and sustainable development to the people trapped in the Maoist affected areas while coping with the Maoist challenge after emergency was declared in November 2001.

If one were to take only two fiscal years of 2001/02 and 2002/03 as a benchmark for foregone development, the resources diverted from the development expenditure to security expenses had not only affected the growth but also created the condition of economic stagnancy with constricting productive investment. Throughout the decade of the 1990s, Nepal's average growth rate was 4.5 per cent. GDP growth plummeted to a

negative rate of -0.5 per cent in 2001/02, which is expected to improve to 2.4 per cent in the fiscal year 2002/03¹² (MOFa 2003). Economic recovery to the 1990s level, perhaps, would require Nepal in doubling the investment for development. Such a feat would be possible only in case there would be change in both internal and external environment. Thus the economic cost of the violent conflict would amount to more than what has been spent on conflict related activities.

Therefore, the awesome burden and destruction caused by the perennial internal conflict since 1996 cannot be comprehended both in terms of the monetary and human costs. The lost opportunity cost of the conflict is more tangible which can neither be recovered nor repaired. One of the direct consequences of the opportunity cost lost is the poor show of the Foreign Direct Investment (FDI) to which the government concerned is yet to express its sensitivities. FDI is generally considered an addition to existing capital stock and a measure to decrease dependency on foreign aid and loan. Though in an economy thoroughly nurtured by dependent development, FDI cannot be correlated with the aid/loan provided by bilateral and multilateral donors, it can, however, make positive impact in the overall productive cycle of the national economy. FDI is correlated with the risk factors. Political instability and domestic tension drive out as well as discourage investment, thus, destroying the potential of production and growth. This can be factored as the opportunity cost lost as the direct consequence of violent conflict.

The overall impact and the cost of conflict are therefore directly related to human security. The body count is perhaps a way of measuring the gravity of the tragedy, but the rising death toll pales into insignificance when the human miseries caused by the pain of the conflict are visibly expressed in the faces of the survivors reflecting the trauma of living with the situation they are forced to adjust with. Reconstructing their vulnerable life to normalcy would nevertheless be a cost that would haunt the distant future of both the people and the State.

Thus, it would be appropriate to conclude that the continuing violence of different magnitude and the resources waste caused by the conflict has weakened both the processes of governance as well as development of the country as the forces of fragmentation are also growing strong simultaneously with the growth of the repressive organs of the Nepali State. Both the State and non-state protagonists have pulled resources for their

sustenance primarily from the indigenous sources. In this contest for power, the powerlessness of the State is pronounced poignantly.

The Cost of Conflict and Violence: Some Preliminary Estimates

Besides the costs incurred by the militarization of the conflict borne by the government and the Maoists, the cost of the government expenses on relief services and the loss of infrastructure/capital assets make up the direct cost of conflict. Although precise data on the cost of relief services are not available, there are reports on the government's despondency on the distribution of even Rs.100 a day relief to the affected people and the failure to compensate the losses to the security forces. Provisional relief services initiated by the donor agencies have been disrupted by the Maoists hostility even towards World Food Programme. The government's plan to resettle IDPs has suffered from a serious financial crunch as well as the ever-deteriorating security situation in the Maoists' affected areas. As noted before, the government had to give up the plan to introduce IISDP mostly in 13 seriously affected districts immediately after the declaration of national emergency in 2001. Thus rebuilding of the lost infrastructure and providing relief to the needy remain on the agenda. As per a government source, the cost of the infrastructure loss in the year 2001 alone was Rs.16 billion (Kathmandu Post August 4, 2002). The tremendous cost of damages and destructions caused by the Maoists can be exemplified by citing the case of Arghakhanchi District – a district ranking 40th in the development spectrum – that incurred an estimated loss of Rs.219 million on September 9, 2002 as a consequence of the Maoists' attack, arson and looting (Bhandari 2002). Likewise, the destruction of the Khimti-I hydel power project's headwork and intake of 60MW capacity power plant and 500kw Jhankre electricity scheme on October 8, 2002 damaged around Rs.963 million worth of infrastructure leading to over Rs.3 million revenue losses per month (Kathmandu Post, November 4, 2002; Nepal Samacharpatra, December 10, 2002). The actual value of reconstruction when taken in the future would exceed the preliminary cost assessed.

Indirect Cost

In terms of the indirect cost, the Maoists have made tourism and development as their specific targets to bleed the government white in their process of destabilization and destruction of the state capacity to sustain

challenges caused by violence. Their strategy remains to kill two birds with a stone. Their violent activities have reaped the propaganda harvest beyond the country by raising a fear psychosis of Nepal being an insecure place for visitors, thereby drastically reducing the chances of tourist influx and cutting at the edge of the foreign currency revenue earning sources from tourist industry and mountaineering whose contribution remains substantial to the national economy. The violence therefore has succeeded in inflicting damage to tourist industry and hotel businesses, airlines and other related services forcing these service sectors to drastically reduce the employed work force. On the other hand, Nepal has been projected the world over as a violent place unsafe for tourism leading foreign governments to issue travel advisory notifying their citizens to refrain from visiting Nepal. Insurance companies in Japan have also notified their clients discouraging them to visit Nepal. On the face of the government's inability to take any constructive measure to curb the Maoists' challenges even under Emergency, as evident by the two days *Nepal Bandha* on February 22-23, and the three days on November 11-13, 2002 on the Maoists' call, it is but natural that the peoples' personal insecurity has expanded beyond comprehension. Pointedly, the destruction of civilian infrastructure caused deliberately as a strategy of debilitation has led to people's exodus to safety and survival.

The paralysis of the government has damaged the residual credibility affecting the structure of production, loss of life and property as well as dislocation and disappearance of the people without any remedial measures for rehabilitation of national life. Several non-governmental organizations (NGOs) involved in development activities in villages and districts of Nepal had to give up their works because of the Maoists' threat to life of their personnel. The killing of an NGO official working under the American aided project had an adverse impact on their activities. Recently, the killings of 13 security personnel at Kavre had forced the Japanese government to suspend the road construction project linking Kathmandu to Janakpur indefinitely that was being built after 43 years of inception.

Estimates of Business losses due to Maoists, Strikes, Bandhs etc.

(i) Between March 1991 and November 2002, Nepal and Kathmandu Valley strikes/bandha has occurred for 75 days. Though it would be very difficult to arrive at an accurate figure of the losses in business and other activities in relations to economic affairs caused by a day's bandha, an

estimate, in accordance with the calculation arrived by the Federation of Nepal Chamber of Commerce and Industry (FNCCI), suggests that the losses incurred by the business and service sectors would amount to Rs. 600 million at the minimum. One day's *bandh*/strike would cause detrimental effects on the arrival, tour and sightseeing of some 27, 281 tourists. According to the Nepal Tourism Board, the tourist industry comprising 600 travel agencies, 445 trekking agencies, 100 rafting agencies along with 800 hotels with 250 thousand workers will have to bear a loss of Rs. 30 million by a day's *bandh*/strike. On the educational sector, a day's strike/*bandh* would cause 28,226 educational years' loss (*Himal Khabarpatrika*, May 29-June 14, 2001:43). Of the total 75 days, the Maoists and its sister-agencies have called the Nepal *bandha* for 53 days in the past seven years between 1996 and 2002. The Maoists call of Nepal or Valley *bandh* has always gone unopposed. In the months of October and November 2002 there were 5 days' Tarai, Kathmandu Valley as well as Nepal *bandh* to which the people had complied and businesses closed.

The three days' Nepal *bandh* (November 11-13, 2002), according to an initial estimate of the Federation of Nepal Chamber of Commerce and Industry (FNCCI), will incur a loss of Rs.3.5 billion (*Rajdhani Daily*, November 12, 2002: 9). This latest estimate shows the loss about to be incurred by the business sector has increased probably because of the comparative advantage involving the service cost. If one were to take the figure of over a billion rupees loss to the State by a day's *bandh*, the total loss to the country would amount to over Rs.100 billion (*Rajdhani Daily*, November 12, 2002).

Quoting a member of the National Planning Commission, the *Kathmandu Post* reported, "Loss incurred by the country due to the Maoist attack during the year resulted in a loss of some 10 per cent of the Gross Domestic Product (GDP)." While the loss incurred in tourism, exports business activities and transportation sectors due to security problems stood at Rs. 20 billion, the loss of infrastructure due to the Maoist attacks was Rs. 16 billion and other losses has been Rs.4 billion making the total of Rs.40 billion loss in the fiscal year 2001 (over \$500 million). Unemployment figure rose by over 200 thousand in the same year (*Kathmandu Post*, August 4, 2002).

(ii) Tourism in Nepal has been one of the most lucrative industries generating revenue and foreign exchange. In 1995, the total tourist arrival in

the country was 363,395 generating \$117 million foreign exchange earnings. This was a year before the Maoist insurgency begun in 1996. (A comparable figure of tourism in Kashmir in 1988, a year before that state again plunged into another round of violent conflict, was 722,000 visitors contributing \$200 million in the tourist economy.) Tourism in Nepal had picked to a number of 491,504 in 1999 with a slight decline to 463,646 the following year and plummeted further to 362,544 in 2001 corresponding to the unforeseen events of the Indian Airlines passenger aircraft hijacking en route to Delhi from Kathmandu on the Christmas eve 1999, the Hritik Roshan episode 2000, the Royal massacre 2001 overwhelmed by the violent Maoist insurgency. Foreign exchange earnings from tourism in 1999 had picked to \$168 million, which slightly declined to \$167 million in 2000 (NPCb 2002 and NPCc 2000). Though one of the prominent reasons for the decline in the tourist arrivals in Nepal has been the effect of the 9/11 the world over, the travel advisories issued by the US and the EC governments to its citizens against visiting Nepal in view of the ensuing political instabilities and the rising tide of Maoist violence coupled with national emergency have detrimental effects on the overall nature of the industry catering to prospective visitors. The direct fall out of the declining tourist trade is reflected in the lay off of the 700 officials from different Travel Agencies (Rajdhani Daily, September 15, 2002: 1). As the Royal coup of October 4 and the ensuing Maoist insurgency indicate, the year 2002 was also disappointing for the tourist economy of Nepal. According to a disclosure of the Nepal Tourism Board, a total of 250,000 tourists visited Nepal in the year 2002, which is 27.65 per cent low in comparison to the previous year and 50 per cent less than the year 2000. This, according to the data of previous five years, is the lowest tourist turnout (Rajdhani Daily, January 2, 2003: 1; NPC 2002).

Though there are hardly any reports on the Maoists' physical attack on tourists, they have however troubled the tourists/ trekkers with forcible extortion of money. A recent article written by an Australian trekker on how the Maoists had to be paid Rs.4,000 per person as trekker as their "rate" and their offer of the helicopter lift for Rs.7, 000 from Sheduwa and Makalu base camp on October 5, is evidence of insecurity faced by trekkers and tourists. Ironically, it was also noted that the helicopter ride that the Maoists had offered was perhaps the same missing helicopter of a private airliner (Pengelly 2002).

(iii) Similarly, another crucial aspect of the national economy affected by the violent conflict and associated instability has been Foreign Direct Investment (FDI). Though Nepal has never been a favourable destination for the FDI, it has attracted over 39 countries to invest in around 7,000 projects that had initially contributed to generate some 85,000-employment opportunities. FDI in Nepal has however hovered around Rs. 2 to 3 billion with India and China in the front row of investors. As per the data available, altogether 97 joint venture industries were approved for registration in the fiscal year 2000/01 with the total project cost amounting to Rs.8 billion. The fixed capital of these industries amounted to Rs.6.2 billion of which the total FDI was Rs.3 billion constituting 48.4 per cent (NRB 2001:7). The current state of FDI as gleaned through very recent data is as following.

Table 4: General State of FDI in Nepal

Joint Venture Industries	Numbers	Registered Cottage and Small Scale Industries	5116
(1) Operating Industries	340	Manpower Engaged in Large Manufacturing Establishment	191,853
(2) Under Construction	42	Manpower Engaged in Small Manufacturing Establishment	121,270
(3) Licensed to Operate	150	Fixed Capital Investment	Rs.3 billion
(4) Approved by Government	188	Joint Venture Banks	6
		Financial Companies	4
		Insurance Companies	6

Source: Author's computation of the raw data compiled from the Federation of Nepal Chamber of Commerce and Industry records, May 15, 2003.

Unfortunately, Nepal is yet in a position to attract the potential big investors like the United States and Japan as the US Kodak Company had experienced a setback in Nepal in its initial stage. This has discouraged the high profile investors, except Pepsi and Coca Cola, to dig into the Nepali economy with considerable profit motives. In the case of India as being the leading investor the type of investment is the portfolio investment rather than direct investment. Besides the Maoists fear, strikes and *bandhs* are two crucial factors damaging to investors' confidence that have also led to capital flights with the closure of industries and businesses. The high risk and the low rate of return have also crucially compromised incentives provided even to the portfolio investors.

Although the policy of economic restructuring undertaken by the governments since 1992 has eased the business environment further encouraging export sectors like carpet, garment and textile industries, this propitious investment situation soon deteriorated internally because of perennial political instability and escalation of violence. The controversies surrounding the use of the child labour in these industries have further damaged the investment environ and export potentiality of the commodities produced. These industries are, in turn, also dependent on the massive imports of raw materials and labour as the latter disappeared with the bursting of the bubble. As the indigenous component in such industries particularly remains the local labour, the wages earned by the local labourer could be factored at the most as 10 to 15 per cent of the total earning that the country has made out of the FDI in these thriving export industries, exclusive of the revenue. With the flight of the portfolio investors has flown out the money earned as profit. Thus the impact of the foregone FDI and the cost incurred by the loss to the national economy can be considered as modest even though the private sector businesses have suffered the most as a consequence of internal and external causes and the labour engaged facing unemployment.

The Human Cost

(iv) According to a recently released data by the Government (Home Ministry and the Royal Nepal Army), a total of 7,973 Nepalis have been killed during the insurgency between February 13, 1996 and October 31, 2002. The figure released therefore suggests that the armed conflict in Nepal has claimed on an average of 1,139 persons' life per year in nearly seven years. The intensity of killing has however increased after November

26, 2001 with the imposition of national emergency and the mobilization of armed forces against the Maoists by branding them as terrorists. Of the total 7,973 people killed, 4,366 were killed between November 2001 and October 2002. The Army has claimed that 4,050 Maoists have been killed with around 400 seriously wounded during the period. On the other hand, the army has lost 219 soldiers including officers with 308 wounded during the encounters. This figure suggests the loss of life ratio of the army vs. Maoists is approximately at 1:19, which is very high even while comparing to the conflicts in Kashmir and Sri Lanka where guerrillas had inflicted more damage and fatalities to the security personnel. The data, in total, say that the seven years old insurgency has claimed the lives of 6,011 Maoists, 873 civil police, 773 civilians, 97 armed police and 219 soldiers, thus making a total of 7,973 people of various strata killed (Kathmandu Post, November 1, 2002: 1). A comparable figure for the people killed preceding the declaration of emergency was around 2,700 in the past five years.

This data was released at a press briefing held at the Royal Nepal Army Head Quarters on October 31, 2002, immediately a day after the National Human Rights Commission has publicized a report asserting that 95 per cent of the people killed by the security forces were the commoners, and they were killed by the army in "fake encounters." (Rajdhani Daily, October 31, 2002). The Army in particular has considered the report "unbalanced," implying that the report has tilted in favour of the Maoist position. Therefore the report of the Commission has been termed as "incredible" by the Army (Rajdhani Daily, November 1, 2002). However, Krishna Bahadur Mahara, one of the top Maoist leaders, who was also an influential member of the past three rounds of negotiations with the Nepali government in 2001, has refused to accept the claim of the army that they had killed more than 4,000 Maoists, in an exclusive interview to the CNN. The army, according to him, has killed more than 80 per cent of the innocent civilians (Mahara 2002), thus, inadvertently supporting the report of the Human Rights Commission.

Despite this controversy over the report of the National Human Rights Commission prepared after on the spot inquiries on the human rights situation in 35 districts of the country, it is glaringly evident that the death toll is mounting and the number of the people killed in the post-emergency days amounts to 13.23 people killed per day on regular basis, which negates the situation as being far from normal.

Besides this, the excesses committed both by the Maoists and the security forces in the context of the 'People's War' are traumatic. Torture, extortions, rapes, arbitrary arrests, unlawful killings and disappearances featured the bloody landscape of violence. As an outlaw, the Maoists have deliberately undertaken actions to spread terror as much as possible by targeting the civilian population to bring them into submission with heinous criminal activities defying the motives and essence of the ideals behind the 'People's War.' One of the glaring failures of the 'People's War' has been that the Maoists guerrillas had not been able to intermingle with the masses as the 'fish in the water.' Rather they had to move as the armed band to survive in the villages both for shelter and food. The villagers' helplessness had therefore occasioned with the reprisals of the security forces treating them either as the Maoists' suspect or sympathizer. Similarly, the Maoists have justified their criminal actions behind the veil of punishing the 'enemies of the revolution.' But they have yet to provide any counter-evidence against the evidence of abduction, kidnapping and use of the children in combat situation, except from denouncing these allegations as sheer propaganda.

Contrarily, the security forces that had already gone into rampage in the name of maintaining law and order, but with the intention of repressing and eliminating the Maoists as was evidenced by the Romeo and the Kilo Shera II operations in the past, have been given a cater blanche by the government along with the declaration of national emergency, mobilization of the armed forces and adoption of the Terrorist and Disruptive Activities (control and Punishment) Act against terrorism. Section 20 of this act provides immunity from persecution to members of security forces "or any other person" for "any act or work performed or attempted to be performed by him in good faith under the Act" (AI 2002). Provision of this impunity thus has considerably foiled commitment to human rights legislation by bringing people to the mercy of the security enforcement agencies.

The most tragic aspect of the insurgency, however, is coping with violence by the survivors of conflict directly experiencing violence in their lives. In this case, women and children are disproportionately affected as in each and every case of violent conflict around the world. Aside from widowhood and orphanage, their future remains bleak not only because they loose their bread earners but also because of their estrangement from the society they live in and the government's general neglect for their unwelcome presence. Although the miseries of the women and children of

the war-torn areas are extensively recorded, their plights and struggle for survival are treated with sympathy in the newspapers' columns; their lives are made further disgusting when used as propaganda tools. Women and children living in the villages without the protection of the able-bodied men in the family as the latter had either been killed or ran away from their homes to safety to avoid the ire of either the Maoists or the security forces have routinely become more vulnerable to harassment, intimidation and agonies because they are treated suspiciously. The government announced a meager compensation for the widows of the servicemen killed and distribute honour medals to prove its sincerity but shrink from taking any responsibility for their rehabilitation and make them the able bodied head of their households.

Apart from this, there are other women and children victimized by the conflict. Women fighting for the Maoists cause are in sizable number either as a consequence of indiscriminate killings of their loved-ones by the security forces or under the influence of indoctrination or forced participation. The record of the women killed as the Maoists by the security forces are yet to be made public. But there are several recorded cases of torture, molestation, rapes and killings of girls and women committed both by the Maoists and the security forces remaining unaccounted for by the government. (AI 2002; INSEC 2002). CWIN, on the other hand, has recorded the number of the child victims suggesting a figure of 146 violent death of the children, 96 fatally wounded and more than 100 children kept behind the bar with arbitrary arrests. With the increasing intensity of violence more than 2,000 children have become orphan and around 4,000 children have been dislocated from the villages (CWIN 2001; Pradhan 2002; Pradhan 2003).

Unnatural deaths and disabilities are the consequence of conflict. Many of those killed in the violent conflict have lost their productive lives. Both the Maoists guerrillas and the member of the government security forces killed and disabled were in their prime of life. They were the young people averaging 15-30 working age groups. Compared with the number of dead recorded by the Defence Ministry and the INSEC (2002), the number of wounded, maimed and disabled could be definitely higher, even though the accurate number of civilian casualties is not available. However a cautious assessment of the situation suggests that the figures of casualties could be few than assumed because of the 'take no prisoners' policy pursued both by the Maoists and the security forces. Irrespective of the casualty figures, the

fact, however, remains that a majority of the dead, wounded and disabled comprised the productive cost lost who could have been economically active at least for 30 more years. Besides the dead, the Maoists casualties have also remained unknown. Speculations vary widely depending on the source.¹³ Hence, of the wounded and disabled Maoists, many of the injured in particular could have rejoined the guerrilla force.

However, in the case of deaths, the country has substantially lost the potential contribution that the individual would have made over the entire productive lifetime. For instance, the killing of the schoolteachers not only affect the earnings and productive contribution of the professional manpower, their immediate families and friends but also affects the social costs of replacement of the trained manpower. Similarly, the direct loss to the nation caused by the reduced labour force, their deaths and fatal injuries affecting the productive capacity of families and friends should be included as factors in cost calculation, although the loss of labour should be the major ingredient. By conservatively considering the lost labour cost of the 8,000 dead – perhaps 90 per cent of them being the young people – the loss caused by the dead on the basis of average income of Rs.60,000 per annum per person, their average age and estimate of their earnings before retirement should be calculated. Given the potentiality of 30 years of service each individual would have earned Rs.1.8 million in 30 years making a total of Rs.14.40 billion at the present price value.

(v) The exodus of people from their domiciles and the potential contribution of productive labour also constitute the lost cost. No authoritative data are available in this particular case. But, according to the CESOD survey (2003), some 427,500 landowning people and 2.5 million people from their homes are displaced, who are yet to be resettled. The government has yet to pursue any welfare and rehabilitation plan seriously. There are neither welfare centers nor any scheme of proper distribution of allowances for the internally displaced people. Rehabilitation of the IDPs is not only beyond the capacity, but also beyond the immediate concern of the government. Reports on the government's plan to set up a relief fund of Rs.500 million for the victims of violence (Kathmandu Post, November 12, 2002) have appeared but yet to be administered properly.

Of the displaced landowners, most are living with their relatives and friends. Perhaps 30-40 per cent of them have bought new property in the cities, which is indicated by the sudden surge of the real estate prices in

Kathmandu. Similarly, of the 2.5 million people displaced, if the 600,000 temporary migrants to India is deducted from the total, 1.9 million people still remains as the IDPs. The survival of these people is at stakes. In the absence of the data on the breakdown of the working age and non-working age people, it should thus be assumed that hardly 5-10 per cent of nearly 2 million people are engaged in different odd jobs in unorganized sectors earning a real wage of around Rs.200-250 per day. Their earnings should be put against the data on the closure of 70 per cent of cottage industries in the rural areas and the collapsing agricultural outputs due to the absence of labour of both sexes. A sensible estimate therefore can be made that the earnings of some 25 per cent actively engaged people from uncertain and irregular labour would be a merger amount in comparison to the loss of outputs from agriculture and cottage industries.

Note should however be taken that the people emigrating to India as well as the IDPs are mostly unskilled and semi-skilled labour forces, thus low wage earners. It should also be noted that Nepalis from the hills and Tarai regions have a tradition to go to India as seasonal labour to work in farms and factories and send remittances back home. This situation arises out of the perennial domestic unemployment. Again, the prevalent condition in the country is that there will mostly be a single person as a bread earner in a household of 5.2 family sizes. Assuming that the number of 2.5 million displaced people makes families of 480,769.2 persons, thus the number of people out of work and productive activities constitute the latter figure. This total figure corresponds to the number of unemployed people rising above 200,000 persons for the fiscal year 2001/02 (Kathmandu Post August 4, 2002). Despite this, it would be difficult to make a clear-cut assessment of the economic cost borne out of the displaced people. A safe assessment therefore would be to rely on the data provided by the National Planning Commission as 'other losses' comprising Rs. 4 billion for the fiscal year 2001/02.

(vi) Except two districts of Manang and Mustang, the Maoists violence has spread in the rest of the 73 districts. The violence and destruction is no more confined to a particular territory even though the most affected areas are the mountainous districts in the mid-Western Development Region of the country. Despite the declaration of emergency and military mobilization, the districts of Rolpa, Rukum, Jajarkot and Kalikot have been the strongholds of the Maoists that the Home Ministry had admitted (Rajdhani

Daily July 25, 2002:1). According to the ranking of 75 districts based on the overall composite index of development, these four districts fall in the category of worst districts of the country¹⁴ (ICIMOD 1997: 22). Total households in these four districts are enumerated as 112,208 inhabited by 622,115 people (NPC 2000:10; NPC 2002: 10). As noted earlier, the per capita income of the people living in the Mountain regions averaged \$110 in 1997. As the 'People's War' has caused a complete halt in development activities especially in these four districts, the situation has definitely worsened than what it was before the violence started. Rolpa in particular and the other three districts were the targets of the government's 'Romeo' and 'Kilo Shera-11' security operations. During these two operations the government forces killed 528 'Maoists' and the Maoists had killed 170 people, including police personnel (Maharjan 2000: 172).

Documentary evidences on the property loss and infrastructure damages are however not available. Despite this, the agonies of the people living in the Mirul village during operation Romeo are the proof of police brutalities. Arsons and lootings by the security forces have been routinely appearing in the press. Losses in these areas are yet to be accounted for because of the Maoists presence among other reasons. As these areas concerned are most backward and underdeveloped the losses could be trivial in economic terms. But the effects of insurgency and government repression are tremendous as a consequence of which the people living in these areas are pushed towards further economic destitution with denial of human rights.

(vii) This comprises the losses incurred by the development foregone by the government critically impairing the health, education and social sectors' development despite the allocation of a large quantity of amount under the development budget headings. With the Maoists' clamour for violence, the government shifted its priority from development to defence. It acceded to the pace of militarization declaring the process as the "investment for peace" that will be the "motto as peace and security is the pre-requisite for development"(MOFb 2002:7). Poor investment policies coupled with the foregone investment led economy to slump to a negative growth. Financing defence/security by transferring resources from investment in productive sectors has also discouraged private and foreign investors as insecurity has damaged the investment climate. Reduction of public investment is the consequence of burgeoning security expenditure directly affecting programmes on rural development, health and education as the resources

allocated to the local development ministry are mostly transferred to the security needs. In this context, the foregone IISDP exemplifies the government's insensitivity. Likewise, regular expenditure has surpassed the development expenditure in budgetary allocation, which is not a healthy trend in the management of national economy. To induce a life in the economic activities the government needs an additional investment to avert the crisis. This would necessitate the government to borrow heavily from the foreign sources, which would be tied to certain conditionality.

To be obvious, it can, therefore be assumed that the cost to the economy would not have been a negative growth from a reduced public investment in case of the absence of violence and conflict. The sum of the cost foregone can be obtained by simply equating the gap between the average growth of GDP by 4.5 per cent and the negative growth of the GDP by – 0.5 per cent preceding and after the escalation of the conflict. At the rate of 4.5 per cent economic growth the situation of the country could have definitely been positive while entering the new millennium.

Crude Estimates of the Cost of Conflict

It should be recognized at the outset that this study has attempted to enumerate some quantifiable cost of conflict. This is indeed a preliminary attempt in understanding the cost requiring refinement and further research to comprehend and conceptualize the consequence of the militarized conflict and the cost of violence to an underdeveloped country like Nepal. Crudely put, this paper intends to impart some sensitivity on the issue involved as the escalating cost of violence could certainly destroy the Nepali State. Militarism and militarization of the State is one such potential cost becoming unbearable through the national means. Another substantial cost would be the trauma of living under anarchy. The discussion on the issue of the cost of conflict should also comprehend the fact that, "A sad phenomenon of the merciless war is that the nation has to contend with a growing number of widows and the households headed by women"(Bastiampillai 2001: 57). Perhaps this would not be a new experience for the Nepali womenhood. The *Lahure* culture had reproduced widowhood, as a consequence of the two World Wars in the past century and the inter-state wars in South Asia. The escalation of the intra-state conflict has further expanded this phenomenon impairing the prospects of human security in an already underdeveloped country in which

underdevelopment itself is a significant threat to human security constituting a cluster of structural violence. To state the obvious, human rights denied is human security foregone.

Table 5 provides the summary of the cost sketched that, indeed, has not included some substantial costs related to human insecurity because of these like the lost health care service, educational opportunities, freedom of movements and participation being not easily quantifiable.

According to these crude estimates, the total cost of violent conflict by the year 2002 has been at least Rs. 219.46 billion. This amounts to 49.04 per cent of national GDP of Rs.446.18 billion for the year 2002/03, which is equivalent to \$ 2.81 billion. This is not a meager sum for a country whose development is financed by the foreign aid and loan, and the revenue is retarding to meet the regular expenditures. The conflict unending could therefore be a national catastrophe.

Table 5: Crude Estimates of the Cost of Conflict
(in Rs. Billion)

Category	Costs
Direct Cost	
Direct Government Security Expenditures	39.63 bn.
Maoists' Military Expenditures	1.94 –2.13 bn.
Government Expenditures on Relief Services	NA
Cost of Infrastructure, Bank Loss, Extortion	25.0 bn*
Indirect	
Business losses due to Maoists/Strikes/Bandhs	100.0 bn.
Lost Income from Reduced Tourist Arrivals	11.5 bn.**
Lost Earnings due to lost FDI	6.5 bn.**
Lost Income due to Lost Human Capital	14.4 bn.
Lost Income due to Displacement	8.0 bn.+
Output foregone in the severely affected area	NA^
Foregone public investment	12.30 bn. #

- * The FNCCI has estimated the cost of infrastructure loss to over Rs. 15 billion (Rajdhani Daily March 15, 2003). The vice-chairman of the National Planning Commission had put the lost cost of infrastructure damages for the year 2001 at Rs. 16 billion (Kathmandu Post August 4, 2002). Independent sources, however, suggest that, if valued in terms of current market prices, the total cost of infrastructure loss since 1996 could be around Rs. 20 billion.
- ** Computed on the basis of the tourist arrival that has gone down from the pick of 491,504 persons in 1999 to 250,000 persons in 2002 conservatively estimating their 7 days stay spending Rs.26, 660.40 on the average;
- ** Inclusive of the expected FDI and wages earnings by the local labour between 2000and 2002;
- + For two consecutive years inclusive of agricultural productivity loss, loss incurred by the closure of cottage industries and value of labour;
- ^ Development works in these areas along with some adjoining districts have come to a halt costing the local economy around Rs. 50 – 80 million;
- # The amount indicates for local development sectors only. According to Fiscal Year 2002/03 Budget, a sum of Rs.5,889.6 million had been allocated for the local development sectors. After the dismissal of the local bodies, the amount has been freezeed and transferred to the security sector (Budget Speech 2002/03: 23). In the previous year 2001/02, a total development expenditure of Rs.6,406.1 million was allocated for the local development sectors (Budget Speech 2001/02: 30). Development works were disturbed after the declaration of national emergency in November 2001.

This article draws largely from Chapter 6 of the author's forthcoming book What Vision for Security Future in South Asia.

Notes

1. There are some other studies done by academics preceding these commendable works cited, but prominently in the context of other conflict zones like notably that of Blakely (1999), Cranna (1994) and Bunselmeyer (1975).
2. Prime Minister Koirala had to resign on July 19 largely due to the military defiance of the government in rescuing the 71 police personnel abducted by the Maoists from the Holeri Police Post, Rolpa District on July 12, 2001. Following the Holeri event, the Deputy Prime minister and Home Minister Ram Chandra Poudel had tendered resignation the next day, thus weakening the position of the government. *Kantipur Daily*, July 14 and July 20, 2001.
3. There are three criteria on the basis of which State failure can normally be defined: State failure comprises of sustained military conflicts between insurgents and central governments, aimed at displacing the regime; sustained policies of the protagonists resulting into the deaths of substantial portion of members of communal or political groups; and abrupt or disruptive regime transitions with inclination towards authoritarian rule. The case of Nepal is obvious in these respects. The attributes of state failure are derived from the State Failure Task Force data as cited in King and Zeng, 2001.
4. The Home Minister Govinda Raj Joshi had to resign on September 29, 2000 after publicly complaining about the military's reluctance to aid the police force fighting for their survival at Dunai, the headquarters of Dolpa District against the Maoists on September 25, 2000 (Gorkhapatra, September 30, 2000). For details see the Press Statement of the Home Minister Govinda Raj Joshi on September 29, 2000. The Inspector General of Police, Achyut Krishna Kharel was also removed from the post subsequently on October 16 (Kathmandu Post, October 17, 2000). After the Holeri incident of July 12, 2001, Prime Minister Koirala had decided to resign after holding long talks with King Gyanendra on July 19, 2001.
5. The losses caused by the 9/11 (September 11, 2001) attack on New York City amounts to \$33 to \$36 billion in lost wages, business, property damage and cleanup, reported the Federal Reserve Bank of New York on November 12, 2002. The report provides a way out how the losses are accounted for. The losses, estimated from October 2001 through June 2002, include \$7.8 billion the 2,795 people killed at the

WTC would have earned and \$21.6 billion to cleanup and replace the twin towers. The report says that the productive potentiality of the New York City economy was badly hit by the 9/11 attacks. Services industries like airline, restaurant, hotel and financial services business alone accounted for 42,000 of 51,000 private sector job loss in October 2001. The financial service industries of many businesses headquartered at the WTC lost 12,000 jobs in October 2001, an additional 6,000 jobs through June along with 20 per cent job loss at the City's two airports. Between \$3.6 and \$6.4 billion loss was caused from job cuts and reduced business hours. The Reserve Bank report also calculated the income loss of the victims of the attacks at the WTC on the basis of average income of the trade center employees amounting to \$127,000 a year, their average age and estimating how much they would earn until they retired. The loss amounted to \$2.8 million per employee. See The AP dispatch from New York on November 13, in *Kathmandu Post*, November 14, 2002. In the South Asian context, measuring the loss accounting for the cost of conflict/war has yet to occur. Besides the cost of "war against terrorism" has directly fattened the US defence budget, which is also supplemented by the defence budget hikes in the EU and other countries allied with the United States. As a consequence of the attacks, the US Congress authorized an emergency appropriation of \$40 billion for "war against terrorism," an additional \$14 billion was provided to cover the period till September 2002. The cost of war in Afghanistan was estimated at \$10.2 billion by the US Congressional Budget Office. As well the initial rehabilitation cost in Afghanistan was \$4 billion plus package committed during the Tokyo Conference in January. See *SIPRI 2002*, pp. 239-40.

6. Citing a defence ministry source, one newspaper reported that a food packet for a field army costs Rs.245 for his regular meal. 10,000 food packets had already been supplied to those in combating operation amounting to Rs.2,450,000. The Army has planned to purchase more dry foods to sustain its needs. *Rajdhani Daily*, July 2, 2002.
7. On December 2, 2001, the finance minister had reportedly said that the nation would sustain the military requirements without any constraints on resources to cope with the Maoists challenges. The government is determined to pump whatever resources the army needs. For that the government would slash the budgets under other heads, draws on the

internal loans or budget deficit. But the government would do whatever it takes to end terrorism. *Rising Nepal*, December 3, 2001. Perhaps this 'commitment' has encouraged unrestrained demands from the security forces.

8. For the estimated GDP at factor cost see *Economic Survey Fiscal Year 2000/2001*, p. 6.
9. Further plan to recruit 15,000 of the retired officials from the Royal Nepal Army, ex-Gorkhas from the British and Indian armies was also reportedly being considered. *Rajdhani Daily*, July 25 and 26, 2002.
10. It demonstrated the Maoists' ability to raise resources to finance their organization and the 'People's War.' The Maoists have practiced imposing tax, levy, collected donations, indulged in extortions and robberies, kidnapping and demanding ransom, but no report has yet emerged about their liaison with drug and human trafficking nexus spread over South Asia along with other criminal syndicates. Domestically, they have disbanded some grievous social ills like gambling, alcohol drinking, and discrimination against women and girl child widely practiced in Villages. This social content of their policies had initially drawn widespread sympathy and support to their cause in the villages and informed circles.
11. The Spokesperson of the Royal Nepal Army Head Quarters. Colonel Dipak Gurung has repeatedly stated that only 15 per cent of the arms looted by the Maoists have been recovered. Unless these arms are completely recovered or surrendered, the army would not stop its operations.
12. To meet the growing security expenditures, the government was forced to cut down the budgetary allocations to nearly 4000 VDCs by 50% of Rs. 500,000 per annum. The government had also slashed Rs. 4.5 billion from different development projects, of which Rs. 3 billion had been diverted from the Water Resources and Local Development projects. Against the background of the shrinking revenue source, the Finance Ministry has estimated a lapse of Rs. 10 billion to meet the requirements. The government, however, thinks that the required amount would be raised through restructuring the revenue taxation to collect around Rs. 2 billion as well as Rs. 3 billion overdraft drawn from the Central Bank. *Himal Khabarpatrika*, January 29-February 12, 2002, p. 42; and February 13-27, 2002, p. 34.

13. The people living in the conflict zones have been found more speculative, the army exaggerative and the Maoists suppressive while accounting the casualty figures. On the other hand, the media reporting of each and every violent encounter is dramatized by the story of the Maoists' cadres' use of *Doko* (woven basket of bamboo) to carry their fallen comrades over the stiff mountain terrain and leaving the beheaded bodies of dead comrades after violent encounters with the security forces.
14. The ranking of districts are computed in accordance with their classification based on the weighted scores of 4 prominent indicators concerning (1) poverty and deprivation, (2) institutional and infrastructure development, (3) women's empowerment, and (4) natural resources (ICIMOD 1997:13). Comparably, Rukum and Rolpa are the worst even among the four districts under the Maoists control.

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DEMOCRACY AND NATIONALISM INTERFACE BETWEEN STATE AND ETHNICITY IN NEPAL

Krishna Hachhethu

Discourse

This paper attempts to address a couple of questions, which draw greater attention for public discourse in Nepal in the post-1990 period. Whether Nepali state – which gained a new image as a democratic state after the restoration of multiparty system in 1990 – is potentially inclusive or not? How has it responded to demands and struggles of the excluded groups?¹ What are the main contents/agendas of “backwards” and ethnic groups of Nepal? Is there any possibility of forging an alliance of all kinds of excluded groups? How Nepali democratic system could be made an inclusive and participatory? These questions arise in consideration of three major factors. One, Nepal is a diversified and pluralistic state in terms of caste/ethnic, linguistic and religious composition of population. The 2001 census of Nepal recorded 100 caste and ethnic groups, 92 languages and dialects, and 9 religious groups (CBS, 2002). Two, the advent of democracy has in its wake raised the voices of different groups of people hitherto silent. Three, democracy generates hope of minorities and deprived sections of society that the state, unlike in the past authoritarian regime, would become responsive to their needs and interests.

Discourse on ethnicity in Nepal has been developing with conflicting views on three major subjects: conceptual framework, definition of dominant and minority groups, and understanding and interpretation of caste-ethnic relations. Opinions among the native scholars are generally divided in line with one's belongingness to a particular group. This paper covers the representative ideas and thoughts of both native and foreign experts. To capture the emerging ethnic movement in Nepal in conceptual framework, few observe in primordialist line that it is quest for identity; others,

particularly those belonging to hill Bahun-Chhetri, take instrumentalist stand that ethnic upsurge is motivated to gain some political and economic advantages.² The opinions of many scholars, both native and foreigner, are close to what Prayag Raj Sharma states, "The ethnic politics of Nepal in the 1990s seems to have elements conforming with both the primordialists and the instrumentalists models (1997: 483). It is, however, interesting to note that foreign scholars observe – without mentioning explicitly but indicating the elitist nature of such movement³ and its relevance to the interest of the masses of the ethnic groups – that the ethnic activism in Nepal has greater elements of instrumentalism and lesser primordialism. For instance, David Gellner is of the opinion, "One should not assume that ethnic activists and ordinary people share the same agenda" (2001: 5). Scholars from ethnic group discard instrumentalist and primordialist model and urge to see the ethnic movement of Nepal from the perspective of the principles of equality and struggle against discrimination (Bhattachan, 1998). Ganesh M. Gurung's opinion could be a representative of one set of argument, "Ethnic movements in Nepal are a natural outcome of age old suppression through the imposition of stratified hierarchical model by the Hindu rulers of Nepal, which needs to be removed with a view to making the hitherto deprived ethnic groups equal partners in the development of a single territorial Nepalese nation-state" (1999, 81).

To see the ethnic issue of Nepal from particular conceptual angle – principle of equality and struggle against discrimination – has its own relevance in defining dominant group and minority group. Numerically, all groups are minorities in Nepal and the largest one, Chhetri, constitutes 15.80 percent. The combined strength of hill Bahun and Chhetri is 28.54 percent. They (including hill low castes) have, however, long been treated as the majority group, because the people identified with Nepali language and Hindu religion are in majority, 48.61 and 80.6 percent respectively, according to 2001 census. Nepali language and Hindu religion are closely associated with hill Bahun-Chhetri identity, and on later case the tarai castes also share a common identity. Yet *madheshi* is a minority group since the majority population of the country are inhabitant of hill region. The *janjatis* are also a minority group, because they are originally neither Hindu nor Nepali speaking people. So culturally, the majority-minority division has already been shaped as superior-inferior groups. Recently, such a division is reformulated into 'dominant group and minority group'. Hill Bahuns-Chhetris are considered as dominant group because of their dominant

position in power structure of the country; others who have been historically 'discriminated' are treated as minorities. This is widely accepted and adopted approach to the study of ethnicity in Nepal (Neupane, 2000; Serchan, 2001). The division of groups in line with dominant and minority is mostly used in dealing with the question of inclusion and exclusion.

Richard Burghart finds the systematic exclusion of minorities in nation building process since the post-unification period (1996). Harka Gurung has played with a number of statistical data projecting hill Bahun-Chhetri as the dominant group and the others i.e. *janajati*, dalit and *madhesi* as marginalized groups in all the social, economic and political spheres of the country. He, therefore, argues that the country has not yet been integrated in a way of multicultural nationalism (1998, 2001). Mahendra Lawati points out intrinsic nuisance of the majoritarian democracy – what Nepal adopted in the post-1990 period – and concludes that Westminster model is unsuitable to pluralistic society of Nepal, and so, contributing for continuous exclusion of numerous socio-cultural groups (2002). As the situation remains unchanged even after a decade long exercise of multiparty democracy, Krishna Bahadur Bhattachan predicts "ethnic insurgency" in "predatory unitary Hindu state" on two grounds. One, the structure of political opportunities in Nepal is unduly favourable to Bahun-Chhetris but unfavourable to other groups. The other is the strength of Federation of Nepali Nationalities (FENNA) constituting of 48 *janajati* organizations at present. (1995, 1999, 2000). Dilli Ram Dahal counters that the prevailing ethnic politics could hardly pose any threat to political stability and national integration due to two major reasons – one is the lack of base of ethnic activism at the grass-roots level and the other is heterogeneity within and among the various *janajati* groups in culture, tradition, language and religion (1995, 2000).

Moreover, Dahal challenges the validity of the most used approach – hill Bahun-Chhetri as dominant and the rest minorities – while making argument that distribution of economic and political power do not strictly follow the line with caste and ethnic division.⁴ Giving an account of the historical pattern of elite formation in Nepal, he rather formulates a thesis of "dominant individuals" against the most common used concept of "dominant caste" (2000). Dahal's argument, particularly on question of dominant group in terms of wealth, seems valid while linking the issue of development and regional disparity. The people of mountain regions and mid-west and far-west regions are more excluded from development. Seventeen out of twenty-two districts in which Chhetris – considered as one of the dominant groups –

constitute as the majority or the largest group of district population – are below the standard of national human development index (NESAC, 1998: 264-265). The poverty index also shows Chhetris's position, marginally better than Rai, Magar and Limbu but slightly worse than Gurungs and Tharus (Gurung, 2003: 7).

Differences of opinions are reflected in understanding and interpretation of relations among different groups of Nepal. Based on caste, ethnic, regional, cultural and linguistic cleavages, Nepali population can be broadly classified into three major groups: *pahadi* (hill people) and *madheshya* (plain people); *jat* (caste groups) and *janajati* (ethnic/tribal groups); and high caste and low caste Hindus (within *jat*). Inter groups relations in pluralistic and diversified society may be complementary or conflicting or mixed of both types. In Nepal relations between diverse groups of society is harmonious and free of tension and violence, some argue (Sharma, 1997; Dahal, 1995, 2000; Pradhan, 1995, 2002). Based on her study on Humla district, Nancy E. Levine generalises, "Models of ethnicity in Nepal stress, on the one hand, unlimited ethnic diversity and, on the other, a rather limited set of ethnic contrasts ... ethnic relations ...are characterized more by interaction, interdependence, and mobility than contrasts and boundaries between groups (1987: 71). Disagreement to such views are expressed, "The ethnic harmony may have been exaggerated" (Gellener, 1997: 6) and, to the extreme, it is "blatantly manufactured myth" (Bhattachan, 1995: 125). Even those taking position of harmonious relations among different groups of Nepal consider the case of *madhesh* as an exception. Frederick H. Gaige is the pioneer author who explores regional conflicts between hill and plain groups on issues of language, citizenship and land ownership (1975). The native scholars from Bahun caste conform his finding and perceive the tarai as vulnerable area.⁵ Its geographical proximity with India and ethnic affinity with the people across the border area are additional reasons behind the anxiety of disintegration. But the relations between other groups (caste and *janajati* of hill, and high caste and low caste Hindus) have long been seen as harmonious. Nevertheless, Lionel Caplan's studies, done in the late 1960s and the early 1970s, reveal conflict between hill high caste and hill ethnic groups, and tension between hill high caste and low caste Hindus (1970, 1975). These parts of conflict have received prominence since Dor Bahadur Bista pin points "Bahaunbad" as obstacle for development in Nepal (1991).

The exchange of hated words in recent discourse make both Bahun and *janajati* scholars more rigid in their stand. For instance Prayag Raj Sharma,

who showed his sympathy to the problems of exclusion in his early writings⁶, asserts to accept the foundation of Hindu state as a hard reality of history while expressing it bluntly, "Weaker groups and weaker powers have always been overrun by stronger powers and groups" (1994: 44). While retaliating to climbing up of harsh opinions coming from ethnic scholars and leaders, Sharma has turned his position from moderate to conservative camp and pleads for the continuation of age-long tradition of Nepali nationalism based on monarchy, Hindu religion and Nepali language, if otherwise, he warns the birth of "Bahun ethnicity" (1994, 1995, 1997). At the other extreme, Krishna Bahadur Bhattachan blatantly depicts Bahun-Chhetris as "exploiters, oppressors, and internal colonizers" and provokes the excluded groups to wage zero-sum struggles against the Bahun-Chhetri (2000: 157). Making of particular group, instead of state, as target of struggle may lead to degenerate the ethnic movement into communal politics. The ethnic upsurge will remain ethnic so long as the target is state but it gives more flavour of communalism if target is made against particular group. Perhaps Bhattachan is aware of it and has consciously indicated to the characteristics of South Asian states that they have always been insensitive to the ethnic problem unless the ethnic tension turn into communal violence between two groups. In fact, ethnic relation has been changing rapidly towards the greater degree of discord, conflict and tension. The root of problems lies in history.

Looking back to history

The monarchy has played a central role in the unification and evolution of Nepali state. Prithvi Narayan Shah, the king of Gorkha principality, established modern unified Nepal by conquest. He, thus, introduced the Shah regime based on the right of sword. The utility of sword for territorial expansion was, however, effectively blocked following the end of war with British-India in 1816 and demarcation of the political territory of the Kingdom. Hence, the legitimacy of sword was confined to and symbolized with the royal army, which was, however, significant to retain control in conquered areas. But the symbol of sword was not sufficient to establish legitimacy among the people of vanquished lands. Absolute control in political authority, monopolization of economic resources, and penetration and expansion of social value systems of the victorious groups in vanquished areas were some of the mechanisms the Shah rulers and the subsequent Rana rulers bestowed to consolidate their respective regimes. It was, as one

critic observed, an “empire model” of national integration (Pfaff-Czarnecka, 1997: 421).

Prithvi Narayan Shah is rated differently from his successors so far the state’s designed national integration is concerned. Some of the points highlighted are: Gorkhali army had a multi-ethnic character, comprised of hill castes and tribal groups (Sharma, 1997: 477; Gurung, 1997: 499); Magars and Gurungs were found among the ruling elite of Gorkha House (Whelpton, 1997: 43; Pfaff-Czarnecka, 1997: 430); “I (P.N. Shah) am the King of Magarant” (quoted in Gurung, 2001: 19); “Prithvi Narayan Shah gave internal autonomy to Limbu” (Bhattachan, 1995: 137); and “King respected the customs of a country in the tenorial administration of his possessions” (Burghat, 1996: 238). All these statements have some meaning with what P. N. Shah said about Nepal, “a garden of four *varnas* and thirty-six *jats*”. This famous quotation has frequently been used to defend that the Shah dynasty respected pluralistic characteristics of Nepali state. But it seems contradictory to another version and motto of the same unifier king about Nepal, *asli hindustan* (pure Hindu state). The balance between respect to diversity and imposition of the ruling value system was changed in favour of later soon after the unification of the country.

For the successors of P.N. Shah, Nepal as *asli hindustan* had become *mul mantra* in the state-designed project of national integration. It also manifested the source of legitimacy of the Hindu king, derived from divine right. The Shah monarch, as a hereditary institution, was enforced by the traditional Hindu view of the nobility of birth, as it was an accepted tradition all through the ancient and the medieval times. The Hindu polity places the king as a sovereign lord, a protector of territory and subjects, a guardian of moral order, an upholder of traditions, and the source of all spiritual and temporal power (Sharma, 1997: 475). As the ideology of Hindu religion and polity provided legitimacy to the Shah regime, the rulers tried their best to spread Hinduism all over the country. In the post-unification period, “the process of Hinduization was intensified” (Baral, 1991: 56). So the kingship along with the Hindu religion played a key role in the construction of Nepali state and identity.

The Hindu polity – in which monarchy and religion have decisive role – was further enacted more rigidly during the Rana period (1846-1951). The Rana prime ministers were also monarchs by title (*Shree Tin Maharaj*, king of Kaski and Lamjung) and by authority they enjoyed. Jung Bahadur Rana, founder of the Rana regime, promulgated a Civil Code 1854 providing legal

framework to Vedic prescription of social order in hierarchical caste society. In fact, Hinduisation process in Nepal followed with casteism. Jaisthiti Malla (king of Kathmandu valley in 1382-95) and Ram Shah (king of Gorkha principality in 1603-36) are generally regarded as protagonists for the introduction of caste system in their own respective territory. The caste system was, however, regulated largely by *hukum* of the king and *bachan* of the priests. The contribution of Jung Bahadur was providing of legal framework to such practices. The Civil Code 1854 classified the people in three broader categories in ascendancy order: (a) *Tagadhari* (scared-thread wearing castes) at the top (b) *matwali* (alcohol drinking castes and ethnic groups) in the middle, and (c) 1. *Sudra* (impure but touchable) and 2. *Acchut* (impure and untouchable castes) at the lowest position. A scholar appreciated the Civil Code of 1854 as “the historical solution to the problem of cultural diversity” and “worked more in the spirit of inclusion” (Sharma, 1987: 26, 1997: 481). This view could be considered, in one perspective, as the state’s conscious attempt of integration through bringing all the *prajas* (subjects) of the country into the fold of one rule. But the Code violated the very notion of national integration – that is equality among the people of given territory, state. The Code discriminated the people of different caste hierarchy in judicial system and in distribution of the state resources. By putting ethnic groups into the fold of Hindu based hierarchical caste system, the Code translated diversity into inequality. Since inequality is source of all kind of conflicts, the Civil Code of 1854 contributed negatively to the national integration of Nepal.

The partyless Panchayat system under absolute monarchy (1960-1990) upheld the old symbols and practices, though the new Civil Code 1963 is a radical departure from the past as it recognizes universal principle of equality of people. The legal abolition of caste discrimination was/is, however, hardly translated into practice because of self-contradiction of the value system what the state ushered. The Hindu religion and caste system is complementary and the ruler’s adherence to Hindu religion was well reflected in late king Birendra’s perception of the source of legitimacy of monarchy. He said, “In Nepal, the monarchy and his subjects have been governed by Dharma, a system drawn from the Hindu religion. The King can not change this value system” (quoted in Shaha, 1975: 7). His predecessor king Mahendra, the founder of Panchayat regime, legally identified Nepal as a Hindu state as it was explicitly mentioned in the Constitution of Nepal 1962 for the first time,

unlike the previous constitutions: So the king and Hindu religion were/are retained as the core components of Nepali nationalism.

The Panchayat system spread Nepali language, which has already received a status of official language since the 1930. Even before the introduction of Panchayat system, the state took a policy of promotion of Nepali language at the cost of other languages. Here, recommendations made by Nepal National Education Planning Commission (1955) are worthwhile to mention. "Nepali should be the medium of education, exclusively from the third grade on, and as much as possible in the first two grades. No other languages should be taught even optionally, in the primary school because few children will have need for them, they would hinder the reaching of Nepali...other language will gradually disappear and greater national strength and unity will result (quoted in Bhattachan, 2003: 26-27; Whelpton, 1997: 49).

With state protection and promotion, Nepali language – being the official language and medium of education as well – has increasingly received prominence with the development of infrastructure, particularly in education, media, transportation and communication. Internal migration also contributed to developing Nepali as lingua franca of the country, and so, as a powerful means of national integration. The dominant trend of migration in the pre-1950 period was from the west hills (original homeland of Khas/Nepali speaking people) to the east hills (*janjati* dominated area) and later from north (hill) to south (plain tarai). The migration of hill people in tarai – a traditional homeland of tribal people and the people of Indian origin – led to change its demography. At present, nearly one-thirds of the total tarai population is those from hill migrants, mostly Nepali speaking people.

Centralization of politics and administration was another instrument of the state's project of national integration. The independent principalities of the pre-unification time were later integrated into administrative unit of the country. The administration during the Shah and the Rana period was confined to two jobs – maintenance of law and order, and collection of revenue – by centrally deputed elites and or local elites co-opted by the government. Division of the country in 35 districts by the Rana regime was done mainly for extraction of revenues and distribution of belief, value and culture of the ruling class/caste. The old revenue-based administration – shaped in the form of tenants-local chiefs' relations – was modernized by the Panchayat system introducing a uniform administration system. The Panchyat regime revised the administrative units into 5 development regions,

14 zones and 75 districts. Decentralization, balanced regional development, and people's participation are some of the buzz words the Panchayat regime propagated in seeking development legitimacy, what the previous Shah and Rana rulers did not feel it necessary. As the system itself was highly centralized, the objective set in the decentralization project was largely confined to paperwork, which obviously had adverse impact on national integration in real sense and also to the survival of the regime itself. The model of national integration what the Panchayat system prescribed was homogenisation and assimilation of diverse groups into the fold of *parbatiya* Hindu culture. Disregard to pluralism was expressed in slogans, like "our king, our country" and "one language, one dress, and one culture." In sum, the Panchayat system upheld and espoused traditional components, i.e. kingship, Hindu religion, and Nepali language, and added new contents like decentralization, development and coexistence in the state- designed scheme of national integration.

Since the time of unification of Nepal, the rulers – Shahs, Ranas and Panchas – had tried to develop Nepal as a homogeneous, monolithic and unitary state providing protection to one language (Nepali), one caste group (hill Bahun-Chhetri), and one religion (Hindu), ignoring the reality of diversified and pluralistic character of the Nepali society. Besides, the state-designed 'Nepalization' process – through Hinduisation, spread of the *parbatiya*'s culture, institutionalization of caste system converting separate identity of ethnic groups into caste structures, and centralization of politics and administration – had led to increase disparity among different social groups. The hill high caste Brahmin-Chhetri and Newar have long been in privileged position. Other groups, i.e. *janajati*, *madheshya* and dalit are generally marginalized. The legacy of history is well reflected in unequal distribution of socio-economic resources of the country and in representation of political power structure of the country.

Table 1 (A): Human Development by Caste and Ethnicity, 1996

	Dominant Groups			Marginal Groups			
	Bahun	chhetri	Newar	Madhesi	Janajati	Dalit	Nepal
1 Life Expectancy	60.8	5603	62.2	58.4	53.0	50.3	55.0
2 Adult Literacy rate %	58.00	42.00	54.80	27.50	35.20	23.80	36.27
3 Means years of schooling	4.4647	2.786	4.370	1.700	2.021	1.228	2.254
4 Per capita income Nrs	9921	7744	11953	6911	6607	4940	7673
5 Per capita PPP income US\$	1533	1197	1848	1068	1021	764	1186
6 Life Expectancy Index	0.957	0.522	0.620	0.557	0.467	0.422	0.500
7 Educational Attainment index	0.490	0.342	0.462	0.221	0.280	0.186	0.295
8 Income index	0.237	0.181	0.289	0.160	0.152	0.110	0.179
9 Human development index	0.441	0.348	0.457	0.313	0.299	0.239	0.325
10 Ratio to hDI Nepal = 100	135.87	107.31	140.73	96.28	92.21	73.62	100.00

Source: NESAC. 1998. *Nepal: Human Development Report 1998*. Kathmandu: Nepal South Asia Centre.

Table 1 (B): Integrated National Index of Governance, 1999

	Dominant Groups		Marginalized Groups			
	Bahun/ Chhetri	Newar	Madhesi	Janajati	Dalit	Other
1 Court	77	13.6	7.6	1.7	0	0
2 Constitutional Bodies	56	24	12	2.8	0	0
3 Cabinet	62.5	9.4	15.6	12.5	0	0
4 Parliament	60	7.6	17.4	13.6	1.5	0
5 Public Administration	77.6	17.6	3.7	1.2	0	0
6 Party Leadership	58.8	10.9	15.8	15.2	0	0
7 Leadership: local elected bodies	55.5	15.7	16.2	12	0	0
8 Leadership: Commerce and Industry	16.7	47.6	35.7	0	0	0
9 Leadership: Educational arena	77.3	11.3	7.2	2.1	1	1
10 Leadership: cultural arena	69.1	17.9	0	4.9	0	0
11 Science/technology	58.1	29	9.7	3.2	0	0
12 Civil society leadership	75.9	14.8	7.4	1.9	0	0
Total	66.5	15.2	11.2	7.1	0.3	1
Population %	31.6	5.6	30.9	22.2	8.7	1
Difference with population %	+ 34.9	+9.6	- 19.7	- 15.1	- 8.4	- 1

Source: Neupane, Govinda. 2000. *Nepalko Jatiya Prasana* (Question of Caste/Ethnicity in Nepal). Kathmandu: Centre for Development Studies

In retrospect, the inequality between dominant group (hill Bahau-Chhetri, and Newar) and minority group (*madheshya*, *janajati* and dalits) is byproduct of the legacy of the historical process of national integration in Nepal. That process occurred under the absolute regimes, except for a short experience of multiparty system in interregnum (1951-1960). All types of non-democratic regime – whatever names and forms – are, by nature, exclusionary as they generally prohibit and discourage people's participation. Nepal had long been under patrimonial system and the king was at the apex of the power structure and those who received palace's favour only had chance to become members of elites. On this ground, Dilli Ram Dahal brings out the thesis of "dominant individuals" against the most common used concept of "dominant caste" (2000). Of course, being a member of the high caste group alone is not adequate for political fortunes, but the history shows overlapping of dominant individuals and dominant caste, and economic elite and political elite. The reduction of *bhardars* from that of *Chha thar ghar* (six family lineage) of Gorkha palace to four families (Shah, Thapa, Basnet and Pandey) in the post-unification period was evident of the exclusion of ethnic groups from and monopoly of twice-born hill high castes in power structure of the country. Till the end of Rana regime, the ethnic groups were completely out from the composition of central elites, though some from non-hill high castes were found in the local elite structure as *mukhiya*, *jimalwal*, *talukdar* etc. The family networking of high castes is extensive and the culture of *afno manche*, long upheld by the state itself, has contributed to retaining broader alliance of privileged castes and their domination in power structure of the country. Referring to the skill of Bahun-Chhetri to cultivate connection for own' benefit, there is one Nepali proverb, *goru bechheko saino*. The hill high caste domination was also explained by overlapping of economic elite and political elite in the past under the patrimonial and feudal system. Dahal himself wrote, "Historically, land ownership in Nepal is closely and systematically tied to the hierarchical caste framework; the higher the caste status of a family, the larger its landownership and vice versa (1995: 159).

Exploring reasons for the domination of hill high castes, one needs to see other part of story. Unlike the present tendency of keeping the ethnic groups away from the *parbatiya* culture, the dominant trend in the past was to accept the culture of the hill high caste people as a model for one's upliftment and enhancement. The process by which a low Hindu caste, or tribe or other group, changes its customs, ritual, ideology and way of life in the direction of

a high and frequently twiceborn caste is popularized as Sanskritisation by M.N. Shrinivas (quoted in Shaha, 1975: 19). In the past, Sanskritisation was a model followed by a number of hill and tarai ethnic groups of Nepal for their upward mobility and status under prevailing patron-client culture and system. In given culture and system the elites – from Rana rulers at the center to the local notables at the village level – distributed *jagir* (job), conducted *pajani* (annual reshuffling of service personnel), granted *baksis* (gift and reward), solely on their own discretion, to their own clients and sub-clients. A commoner received material and other benefits by demonstrating his loyalty, obedience, submission through *Chakari* (obsequious attendance) to his respective patrons. The reasons to opt for Sanskritisation and Hinduisation might be beyond the factor of material benefit. The perception of status upgrade also motivated the non-caste groups to follow the habit and custom of the hill high caste groups. The recent social history of Nepal is the active adoption and adaptation of Nepali language, *parbatiya* culture and symbols of those in power by the ethnic mass in general and ethnic elites in particular (Gellner, 1997: 19; Paff-Czarnecka et al, 1999: 53).

As *parbatiya* culture was adopted as model by the ethnic groups, there was absence of resistance against the Bahaun-Chhetri's domination in power structure of the country. "Only a subdued ethnic feeling was observed within the regional (Tarai) and hill communities" (Baral, 1998: 84). The Panchayat system restricted the fundamental rights of the people to speak and to organize against its ideology and value system. The dominant issue for oppositional politics in the pre-1990 period was multiparty democracy not the ethnic question. Ethnic politics was banned as party politics, thus, voices of ethnic groups so far their group identity and interest was concerned were suppressed. Democracy – reinstated in April 1990 – has provided outlet to the needs and interest of the excluded groups.

State Ideology and Ethnicity

The 1990 mass movement ended the Panchyat regime and restored democracy. The new Constitution brought out fundamental changes in the political system of the country – from partyless to multiparty system, reduction of king's position from absolute to constitutional monarchy, and promotion of people's status from subject to citizen. The newly established democratic regime is associated with the principles of popular sovereignty, fundamental and human rights of the citizen, representative government, and

independent judiciary. Do such changes are significant to reset the state's ideology vis-à-vis ethnicity? To what extent the new political system is different from past regimes vis-à-vis grievances of the excluded groups. Considering the constitution as mirror of the state's goal, the table below shows a comparative picture of the state ideology under different regimes (constitutions) related to the questions of national integration.

Table 2: Constitutions and Ethnicity

	Nation/ State
1990	1. King, symbol of Nepalese nationality and the unity of the Nepalese people 2. Nation, constitute of people irrespective of religion, race, caste or tribe 3. Strengthen national unity and harmony amongst various religious, castes, tribes, language, race and communities 4. Multiethnic, multilingual, democratic, independent, indivisible, sovereign Hindu, and Constitutional Monarchical Kingdom
1962	1. Nation, constitute of people irrespective of religion, race, caste or tribe 2. Common aspirations and united by the common bond of allegiance to the crown 3. Maintain national unity with due regard to existing mutual harmonious tolerance 4. Monarchical Hindu Kingdom
1959	Monarchical Kingdom
1951	Monarchical Kingdom
	Citizen/Ethnicity
1990	1. All citizens are equal before law; no discrimination on grounds of religion, race, sex, caste, tribe 2. Eliminate all types of economic and social inequalities 3. Maintain cultural diversity 4. Promotion of language, literature, scripts, arts and culture of different groups
1962	1. All citizens are equal before law; no discrimination on grounds of religion, race, sex, caste, tribe 2. Establish exploitation-less society

1959	1. All citizens are equal before law; no discrimination on grounds of religion, race, sex, caste, tribe
1951	1. All citizens are equal before law; no discrimination on grounds of religion, race, sex, caste, etc.
	Religion
1990	1. Hindu kingdom 2. Freedom to profess and practice own religious and to protect religion places and trust 3. Prohibit to convert another person from one religion to another
1962	1. Hindu kingdom 2. Freedom to profess and practice own religion 3. Prohibit to convert another person from one religion to another
1959	1. Freedom to profess and practice one's own religion 2. Prohibit to convert another person from one religion to another
1951	Freedom to profess and practice own religion
	Language
1990	Nepali: national and official language; Mother tongue: national languages of Nepal
1962	Nepali: national language
1959	Nepali: national language
1951	-

The Constitution of the Kingdom of Nepal 1990 upheld a number of features of Nepali nationalism adopted since the 1951 and before. Particularly from the end of the Rana regime in 1951, the components like kingship, Hindu religion, and Nepali language, and the concepts of citizen, equality, and unity and harmony of different social groups have been adopted as ingredients of nation-state of Nepal. Though, Nepali language and Hindu religion were not mentioned in the 1951 Constitution and the 1959 Constitution was also salient on religious identity of Nepal, secular or Hindu state. These two constitutions were relatively less pro-Hindu and pro-*parbatiya* in comparison to succeeding 1962 and 1990 constitutions. As the 1990 Constitution recognized Nepal as a unitary, Hindu, and monarchical state, and Nepali as official language as before, many things remained unchanged in the basic characteristics of Nepali state. National symbols – crown, scepter, royal crest, royal standard, coat-of arms, cow, national flag, rhododendron, and red blob – set by Panchayat and most of them associated

with monarchy and Hindu religion (Gurung, 1997: 505) and national anthem (phrased in a way equating patriotism with worship to king) retained without any change.

The 1990 Constitution does not recognize the existence of inequality and discrimination on caste/ethnic, linguistic and religious lines – except for the consideration of women and dalit as marginalized groups deserving to get special treatment from the state in education, health and employment sectors. It, therefore, does not provide provisions for state's protection, promotion and affirmative actions to the excluded and marginalized groups. Besides, the Constitution separates politics from ethnicity by a provision prohibiting to form political party on the basis of religion, community, caste, tribe and region. This provision was, however, implemented loosely and flexibly.

What are the new things that the 1990 Constitution provides for the cause of ethnic groups? It recognizes pluralistic character of Nepali society consisting of diverse cultural and linguistic groups. Such a constitutional recognition of Nepali as a state of diverse cultural groups comes for the first time in the history of Nepal. The constitutional commitment to "maintain cultural diversity", right "to promote literature, scripts, arts and culture of different groups", freedom "to protect religious places and trust" and recognition of other than Nepali (language of the nation) as "languages of nationalities" are certainly new contents which were not found in previous constitutions. The inclusion of words multiethnic and multilingual in identification of Nepali state is widely appreciated as a major departure from the historical model of national integration (Sharma, 1992: 7; Fisher, 1993: 14; Gurung, 1997: 502; Pffa-Czarnecka, 1997: 419).

More significantly, democracy has provided space for the excluded groups to organize and mobilize themselves to promote their interests. Though the 1990 Constitution gives continuity to a number of traditional contents and symbols of nationalism set previously by the Panchayat regime, one could notice change in state's behaviour vis-à-vis ethnicity following the restoration of multiparty democracy. It is because of change of political system from absolute to liberal that led to bring changes in state-ethnic relations. The post-1990 governments are, by all means and standard, relatively progressive and responsive to ethnic pressures. In fact, the origin and evolution of ethnic movements have been closely associated with history of democracy in Nepal.

Ethnic activism was first noticed with the dawn of democracy in 1951. The 1959 general elections to parliament brought out the hill ethnic groups

and *madheshi* community from complete exclusion in the past under the Shah and the Rana regimes. In 1959, their representation was 26.3 and 15.5 in the government and 15.6 and 22.0 percent in parliament respectively (DREFDON, 1992: 7). Hence their representation continued – 14-21 percent of hill ethnic groups and 11-18 percent of *madheshi* community – in legislature throughout the Panchayat period despite the regime was highly tilted to the hill high castes, Chhetri in particular. The ethnic activism was revived as Panchayat politics appeared flexible following the announcement of referendum in 1979 (held in 1980) to choose one between multiparty system and partyless Panchayat system. The elections of *Rastriya Panchayat* (national legislature) in the post-referendum period were noticed as successful assertion by backward groups of *madheshi* community (Shah, 1982: 205-206). Particularly after the end of Panchayat system and the restoration of multiparty democracy in 1990, ethnic movements are accelerating and gaining a momentum.

Ethnic Movement

Ethnic upsurge is inevitable in Nepal as the historical process of national integration is exclusionary. The restoration of democracy with the principles of popular sovereignty, equality, freedom and cultural rights has provided platform for ethnic activism. The advent of democracy has, therefore, been followed with the rise of ethnic consciousness and awareness. The ethnic issue has gained a new weight and strength because of the impact of the Maoist's armed insurgency. Of course, the Maoist party has ethnic contents, i.e. secular state and ethnic autonomy, but it could be simply overridden by the communist principle of "democratic centralism". Experiences of other communist countries show that autonomy is limited to the paper only. However, it is generally perceived – particularly by the Western media, academia and diplomats – that the Maoist succeeded to capitalise the psyche of alienation and frustration of the excluded groups, dalit and *janajati* in particular, in escalating their armed insurgency. In coming years the ethnic problems of Nepal is likely to address at greater level by the donor countries in their much-weighted scheme of "conflict management" in Nepal. The ethnic activism of Nepal has already been internationalised. The international environment, particularly UN declaration of 1994-2003 as a decade of indigenous people, has provided additional imputes to highlight the problems

of ethnic groups within the country and also to link the local initiative as a part of the global movement.

Among the ethnic groups of Nepal, the largest groups are *janajati*, *madheshya* and dalit. There are many forums championing the cause of such different ethnic groups. The FENNA and its member organizations have focused more on the problems of *janajati*. Dalit activism has largely been expediting as the NGO movement having link with INGOs and backed by several donors. There are about 150 dalit NGOs (Bishowkarma, 2001: 269) and the Dalit NGO Federation is an umbrella organization of 102 NGOs. The problem of *Madheshya* is more addressed by the Nepal Sadhabana Party (NSP), a tarai based regional party.

The demands of ethnic groups can broadly be categorised into three areas: quest for identity, sharing of national resources, and greater representation in the political structure. The *janajatis*' assertion for cultural identity is mainly based on rights of indigenous nationalities; *madheshyas* stress on regional identity; and dalits focus against the practice of untouchability. Dalit movement is highly tied up with its demand of sharing national resources and representation in the governmental structures. *Madheshi* activism is also directed to the same purpose but in different context and shape. Ethnic demands of *janajati* have naturally geared up over time and the focus changed from the issues related to identity to sharing of resources and more representation in political structures. The volume of *Janajati*'s demands has increased that embodied in the NEFNA's 27-point recommendations for the amendment to the Constitution (full text in Onta et al., 2001: 190-214). The suggestions covered wide range of issues – from respect to minorities' language and religion to reservation in governance. The demands for federalism, ethnic autonomy, and proportional representation in political structures on the basis of the size of population of *janajati* and dalits are also included.

The question of sharing of economic resources and political power has always been problematic. Bhattachan, while referring to the core thoughts of Harbermas and Foucault, states, "knowledge serves interest and yields power." This explains why the minorities of Nepal are marginalized, because they are far behind the dominant Bahun-Chhetri and Newar in knowledge industry (Bhattachan, 2001). This logic is very close to agglutination theory of elite formation as it considers education, wealth, and social status as 'political resources' (quoted in Baral et al. 2001: 19). So beyond historical reasons, some points need to be highlighted to understand the problems of

equality and power sharing in Nepal. Bahun, Chhetri and Newar are in better position than any other groups of Nepal in educational attainment.⁷ Hill Bahuns are relatively more elegance and adaptable to the changing needs and situations of society. A study done in the mid-1990s found the minority groups politically less articulate (Hachhethu, 2002: 91). One of the ways of accumulating ethnic capital is to overcome one's shortcomings and to adopt selective qualities of other groups. Irrespective of disadvantage position vis-à-vis sources of power, the logic of justice provides the minorities strength to fight against state. Reservation in education, employment and government is invariably included in the ethnic movements. To reduce the possibility of reproduction of the dominant class within the ethnic groups, reservation and other policies should be blended with class factor – i.e. poverty, illiteracy and underdevelopment within the groups – in ethnic contents. This will serve more the purpose of masses than that of elites of the minority groups.

The ethnic groups' quest for identity, sharing of national resources, and greater representations in the political structure naturally contend against the hill Bahun-Chhetri domination. Inserting some issues concerning of dalits as well in its agendas, the NEFNA has sought to forge an alliance with other minorities and broaden the scope of ethnic movement. At once, the language activists crossed *pahadi* (ethnic)-*madheshi* division while protesting against the Supreme Court decision of barring the use mother tongues in local government. The NSP also – particularly in election times – appealed to have a unity between *madheshyas* and *janajatis* against the domination of hill Bahun-Chhetri. The target was to cash in the votes of *janajati* migrants in tarai.

Though *janajati*, *madheshi* and dalit have a common target to shift the prevailing balance of power, their destination is different. The issues, i.e. language, religion, and culture etc., related to *janajati*'s identity have nothing to do with the dalits as they are part of *parbatiya* Hindu culture. For dalits, both the high caste groups and non-caste *janajati* are exploiters so long as the practice of untouchability remains unchanged. The objective of dalit movements is social justice so the questions of *saha bhoj* (mealing together with non-dalits), refusal to throw dead animal bodies, and entry in Hindu temples are its key agendas and activities. *Madheshi* hardly distinguish between *pahadi* caste groups and *pahadi janajatis* so far its regional identity, language and culture are concerned. So, the unity among the three largest ethnic groups is hard to achieve.

Division within each of the three largest ethnic groups is another bitter truth. Within dalits, there is hierarchy of upper and lower castes. The day-to-day life of tarai is affected more by internal division of *madheshyas* themselves into the backward and forward groups than distinction between *pahadi* and *madheshi*. The Tharu shares a common identity with hill ethnic groups as *janajati* and as a member of FENNA. But community specific demand, agenda, and priority make them different. Rise of consciousness among the Tharu community is invariably linked with their fight for the liberation from bonded labour system and land to *sukumbasi*. The hill *janajati* movements are taking up the questions of language and culture as priority areas.

Ethnic mobilization is another problem, though dalit and Tharu activism are visible at grass roots level. Tharu's movements (in Bake, Bardiya, Kailali, Kanchanpur, and Dang) for ending bonded labour system, refusal to throw dead bodies of animals by Chamar of Siraha and Saptari, and entry of dalits into Hindu temples of different parts of the country are a few to mention successful struggles. The dominant trend is the establishment of the organization, involvement in advocacy, and running after donors for fund. Ethnic mobilization and launching of movements are noticed least. The FENNA is fat of 48 organizations but the dominants are those already known as SETAMAGURALI (Sherpa, Tamang, Magar Gurung, Rai and Limbu). Those who are actively involving in ethnic politics are educated, intellectuals employed in government, university and NGOs/INGOs, entrepreneurs, ex-Gurkha soldiers, politicians etc. So the ethnic mobilizers are "dominant class" of the minority groups.

The ethnic movements are largely educated middle class-based and their activities are mainly concentrated in the capital of the country. Besides, many leaders and activists of ethnic organizations are affiliated with political parties, particularly with communist parties (Bhattachan, 1995); their individual vested interest has led them to be in proximity with power structure; and they have been co-opted and collaborated by the government – all these factors have influenced in shaping minorities' struggle as mainly an elitist movement. At the grass-roots level the existence of ethnic activism displayed only in signboard of their own respective organization in district headquarter and ethnic content mattered only if the researcher provoked the respondents to talk some things on ethnic problems. The absence of ethnic movements at grass-roots level is also reflected in the results of elections. The parties that contested elections on ethnic and regional basis failed to gain

any seat in parliament except the NSP, which gained 3-6 seats in the last three parliamentary elections. The Rashtriya Jan Mukti Party and the Jan Mukti Party obtained only 1.06 and 0.10 percent respectively in the 1999 parliamentary election.

Ethnic movement emerging since the restoration of democracy in 1990 is, till now, largely limited in bringing out alternative ideas and exerting pressure tactics politics. Despite several limitations and constraints, the movement is earning ethnic capitals, and gaining something, particularly sensitising the political institutions of the country.

State's responses

Of several demands of the minority groups – that broadly generalized into three categories: 1) identity, 2) sharing of resources, and 3) representation in government – the democratic state, by and large, appeared responsive to the question of identity. Inclusion of caste/ethnic content in census, separate section to each of *janajati* and dalit in plan documents, news broadcast in mother tongues by the government run radio and television, setting up of commissions and committees to address the problems of *janajati*, dalit and *madhesi* can be considered as the state's positive responses to the ethnic's assertion for identity. All these developments have taken place since the restoration of multiparty system in 1990.

The Indigenous/Nationalities Act 2002 stated, "Indigenous nationalities refers to those ethnic group or community which has their own mother tongue and traditional customs, different cultural identity, different social structure and written or oral history." This, however, differs with the NEFNA's main thrust and approach of *janajati*'s identity as non-Hindu and exploited groups. The state's refusal to give title of *janajati* as discriminated and exploited matches with its hesitation to initiate affirmative action for them. Even about the issues related to identity question, the state machinery took contradictory measures. The government and parliament's liberal initiative to address the citizenship problem facing mainly by *madhesi* has been halted by the Supreme Court. The court appeared as the most conservative body in other issues as well, particularly on the use of ethnic language in local government, as the Supreme Court decided it as anti-constitutional.

Most of the government decisions related to the ethnic's concerns have come in form of executive orders and some of them were taken under the

pretext of the Maoist's armed insurgency. The state's pronouncement in the form of executive order is generally taken to tackle the immediate issues rather than provide long-term policy measures to concerned subjects. In the last 12 years, parliament had not pass a single bill, except Indigenous/Nationalities Act 2002, related to the interest of minorities and deprived groups. So whatever have been done by the government in the last thirteen years it is viewed as the state 'conservative responses' to the problems of diversity and plurality of society. Nevertheless, the society and state have acknowledged to the shifting identity of *janajati* respectably from that of 'Matwali' during the Rana period (1846 to 1951), to 'MAGARALI or SETAMAGARALI' during the Panchayat period (1960-1990) and to 'indigenous nationalities' from 1990 onwards.

As stated above the state has not yet come up with substantial policy and programme to address the ethnic problems especially on their demands related to sharing of resources and representation in the government. Have political parties – one of the part of state's several components – done something in this regard? In multiparty democracy, parties are vital institutions that tend to address the ethnic problems mainly through policy platform and accommodation in leadership structure.

Table 3: Caste/Ethnic Composition of Members of House of Representatives and Members of parties' Central Committee

Caste/ethnicity total number	House of Representatives*			Parties' Central Committee**					
	1991 205	1994 205	1999 205	NC	UML	RPP	JM	NSP	NWPP
Bahun	37.6	42.0	37.6	62.06	65.21	19.51	44.73	-	22.22
Chhetri	19.1	19.5	20.5	10.34	10.86	31.70	7.84	-	11.11
Newar	06.8	06.3	06.8	3.44	13.04	4.87	10.52	-	66.66
Hill Ethnic Groups	15.2	12.2	14.7	13.79	6.52	26.82	21.05	-	-
Tarai Communities	21.0	20.0	19.5	10.34	4.34	17.07	5.26	100	-
Others	2.9	2.0	2.5	-	-	-	10.52	-	-
Total	100	100	100	100	100	100	100	100	100

Source: * IIDS. 2000. *The Fourth parliamentary Election*. Kathmandu: Institute for Integrated Development Studies. ** Lok Raj Baral, Krishna P. Khanal and Krishna Hachhethu. 2002. "Responsiveness of Nepali Political System". (Unpublished Report)

Leadership at central level in both parties and parliament, except the NSP and the NWPP, corresponded to the paradigm of 'dominant hill Bahun-Cheetri' and 'minorities *janajati*, *madheshi* and dalit'. But there is some deviation in social composition of party leadership at local level. One study found that though leadership in Nepali political parties at the highest level are elitist, it is broad-based and representative of diverse social elements at local level (Hachhethu, 2002: 92). This suggests the existence of ethnic politics in party politics, more at the local level. The parties' workers have a tendency to use ethnic card as a means of lobbying, especially during election times, to enhance their status within the party structure and to get tickets in elections. The last three general elections suggested that political parties had, more or less, maintained a balance of caste/ethnic composition of constituencies/districts while selecting their own' candidates. The overriding concern was to maximize votes. The absence of dalit in the House of Representatives explained a fact that in none of the 205 parliamentary constituencies the dalit constitutes a majority or the largest group. The case of *janajati* and *madheshi* is different as they are in majority population in several constituencies; and ethnic factor also counted in candidate selection process even though ethnicity did not yet appear as a dominating factor in voting pattern. A number of studies found that the issue of infrastructure development had continued to remain the central issue of election campaign and voting behaviour. Voters were more interested in problems of schools, roads, drinking water and electricity and less on other issues (Gaige and Scholz, 1991; Baral, 1995; Khanal and Hachhethu, 1999). The ethnic factor had, however, its role to play in electoral politics, albeit less in voting behaviour but more in party leaders' mind and perception. Leaders' perception of ethnicity and election made them imperative in giving due weight to caste/ethnic factors of electoral constituencies. Parties' accommodation to minorities through elections is reflected by a fact that the *janajati* and *madheshi* had greater representation in parliament than in the parties' Central Committees.

Aside from the electoral interest, parties are now appeared a little bit sensitive, at least since the mid 1990s, to the need of accommodation of the marginalized groups in the party apparatus. The amendment of the Nepali Congress (NC) constitution in 1995 makes it mandatory to have at least 10 percent representation of the excluded groups (including women and dalit) in the party committee at all levels, from village to the centre. Similarly the Rashtriya Prajatantra Party (RPP) constitution provides a provision that the

head of party organization of all levels should give priority to the minority and unprivileged groups while nominating 50 percent of the total committee members. Parties' increasing sensitivity to the problems of minorities is also manifested with amplification of their own policy platforms related to ethnic issues in each succeeding elections of parliament.

Table 4: Parties' Election Manifestos and Ethnicity

<i>Janajati</i>	
NC	Preservation and promotion of different language, culture and tradition existing in the country; elimination of regional and community disparity in development <u>Add in 1994</u> Use of mother tongues in education and communication; establishment of institute relating to culture of different communities <u>Add in 1999</u> Set up culture centres to promote songs, dance and cultures of different communities; set up an independent council of janjati; protect and promote knowledge, skill, art and culture of indigenous groups; empowerment of indigenous groups in education and health programme
UML	Secular state; abolish constitutional/legal provisions of discrimination on caste/ethnicity, language, religion, and culture; make constitutional provision for the representation of backward janjati to National Assembly; autonomy to local elected body for the promotion of caste/ethnic, language, religion and culture; primary education by mother tongue <u>Add in 1999:</u> Set up academy for ethnic, language, religion and cultural development
RPP	Protection and promotion of language, culture, tradition and religion of Janjati; promote interest of janajati on social, economic and political spheres; representation of janjati in governance <u>Add in 1994</u> Introduce language course of different mother tongue up to secondary school; special provision to include in education and job; representation in leadership at social, economic and political spheres; restructure National Assembly as a representative body of Janjati, dalit and Madhesi

	<u>Add in 1999</u> Follow UN provisions related to indigenous concerned; include in National Planning Commission; equal respect to languages of all nationalities like that of national language; respect to right of education in mother tongue; public holiday for festival of all communities
UPF	Secular state; equal status to all languages; Right to use mother tongue in education, court and legislature; reservation for dalit and ethnic groups in National Assembly; <u>Add in 1994</u> Ethnic autonomy <u>Add in 1999</u> End of domination of one particular caste, linguistic, religious group; make National Assembly as Ethnic House
NWPP	Freedom of religion and protection of tradition of religious tolerance <u>Add in 1999</u> Protection and promotion of language, literature and culture of different communities
NSP	Freedom of religion; primary education on mother tongue <u>Add in 1994</u> Reservation of 30 percent seat to hill ethnic people in government and semi government jobs
Tarai	
NC	Equal opportunity for job in police, army and civil service without discrimination; distribution of citizenship certificate
UML	End region based discrimination in recruitment in army
RPP	Respect to causes/demands of tarai people; equal opportunity to tarai people in military, police and civil services; end of citizenship problem <u>Add in 1999</u> Representation in Public Service Commission; respect Madheshi sentiment in local leadership in both parties and in elected bodies
NWPP	Resolve citizenship problem
NSP	Reservation of 50 percent seat to tarai people in government and semi government jobs; set up a separate battalion of army for tarai people; Making voter list of 1980 referendum as cut of year for

	distribution of citizenship; recognize Hindi as second national language; federal government
Dalit	
NC	Add in 1994 Special provisions in education and law to marginalized groups; scholarship for Dalit students; Add in 1999 Representation of Dalits and backward communities in party, parliament and others; set up an independent council for dalit; utilization of Dalit's skill and knowledge
UML	Add in 1994 Abolition of untouchability; reservation for backward communities and areas in education, health and civil service
RPP	Priority to overall development of dalit and backward communities Add in 1999 Strict implementation of Muliki Ain; protection and promotion of traditional skill and profession of dalits; representation in party
UPF	End of untouchability; reservation for dalit and backward communities in education, health, and employment
NWPP	
NSP	Free education and scholarship to Dalit

Source: Election Manifestos (1991, 1994, 1999) of NC, UML, RPP, UPF, NWPP and NSP.

Parties' policy platform on ethnic issues, embodied in their own election manifestos, climbed up over time. Exception is small parties, like Nepal Workers and Peasant's party (NWPP), which had almost no content on ethnic question; and the NSP highly concentrated itself on *madheshi's* demands, i.e. recognition of Hindi as a second national language, reservation for *madheshyas* in administration, police, army and other state organizations, and restructuring of Nepal as a federal state. The case is different for largest parties. The Communist Party of Nepal (Unified Marxist-Leninist or UML), like other left party United People's Front (UPF), had long been championing for the problems of minorities. Its ideological stand for secular state and equal treatment and opportunities for all language put it closer to the concerns of minority communities. Its 1991 election manifesto included agendas for the end of discrimination against minority communities and

representation of *janajati* and backward communities in the Upper House. The UML's constant persuasion for realistic and pragmatic policies has made it different from its past radical image, including on issues related to minority groups. Nevertheless, it had upheld the ethnic contents, what it proposed in the 1991, in its manifestos of the 1994 and the 1999 elections. The NC, like the RPP, climbed up adding several ethnic contents, i.e. provision of special programme to promote language, art and culture of minorities, empowerment of dalit and *janajati* ensuring their representation and participation in governance and decision-making etc. in its election manifestos for 1994 and 1999 elections. Sensitisation to the problems of excluded group is also evident that the problem of dalit was almost left out by parties in their election manifestos of 1991 but later this agenda was invariably placed in parties' manifestos for the 1994 and the 1999 general elections. The emerging trend indicates entry of caste, ethnicity, language, religion and other issues of exclusion in parties' policy platform despite ethnicity remained low weighted issue in electoral politics in comparison to other significant issues.

Conclusion

Recent political developments along with emerging ethnic assertion have been leading the country towards a new direction/destination different from the past. The decade of 1990s and the following years will be recalled as a transitional phase characterized by breaking of some major traditional ingredients of nationalism and building of new values and systems for national unity and integration. The project of national restructuring will undergo following changes.

From mono-cultural to multicultural nationalism: The census reports of 1991 and 2001 showed that the people identified with Hindu religion and Nepali language (as mother tongue) decreased from 86.5 to 80.6 and from 50.31 to 48.61 respectively. This is a result of the ethnic assertion to disassociate *janajatis* from the history of the post-unification period. The central thrust of *janajatis*' movements for their distinct identity is to get recognized themselves as non-Hindus that contend against the historical process of Sanskritisation and Hinduisation. Boycott of Hindu festivals, including Dashain and Tihar, is a clear rejection of the domination of the *parbatiya* culture associated with Hindu religion and Nepali language. The

emerging trend of identity movement demands the change of national identity from Hindu state to secular state. It also seeks the meaning of the constitutional provision of mother tongues as “languages of nationalities” in application for education, media, administration and other areas, though the primacy of Nepali language as lingua franca is objectively uncontested and unchallenged. Nepali society has increasingly undergone a process of differentiation that naturally leads to go forward towards multicultural nationalism.

From central to peripheral position of monarchy: The foreseeable change in the cultural domain of the country – that is obviously against domination of hill caste Bahun-Chhetri and supremacy of Hindu religion – would have natural repercussion to the legitimacy of Hindu king. The demand for change in king’s position and threat to the survival of monarchy has come from political sector. Before 1990, the historical process of national integration was closely tied up with absolute power and authority of the king. The 1990 Constitution formally reduced the role of monarchy from substance to symbol of nationality and unity of people. The new king’s assertion for active monarchy – as evident by taking back of executive power by a proclamation of October 4, 2002 and subsequent decisions – has led to increase republican sentiment among the critical masses of the society. Parties are forced to rethink on their own ideology and strategy – i.e. NC’s principle of constitutional monarchy and the UML’s strategy of adjourning its ideology of republic – vis-à-vis monarchy. Moreover, the Maoist party is the catalyst in bringing about a new political and ideological equation and it has a clear republican agenda. The emerging political and ideological scenario has its own impact on social bases of the monarchy. The revival of ethnicity in the past, particularly during the 1980 referendum, was capitalized for the survival of the then Panchayat regime (Gurung, 1997: 526; Shaha, 1982: 160). But the monarchy’s clout among the ethnic groups has been changed by parliamentary parties in the post-1990 *jan anodal* period – if not in the form of zero-sum-game – and recently by the Maoist party in hostile way. The Maoist party, whose presence is felt all over the country, has succeeded to stop singing of national anthem and teaching of Sanskrit language–symbolized with monarchy and Hindu religion – in its controlled areas. The future of Nepali politics and position of monarchy is uncertain, but the challenge against the survival and stability of monarchy has never been so serious as it is at present. This indicates possibility of major departure from

the traditional model of national integration. The emerging trend contradicts with conventional thinking of non-separation of monarchy from state and nation.

From majoritarian to consensual democracy: Reviews are being undertaken in multiple perspectives in seeking answers to a question – why democracy is not consolidated in Nepal despite 13 years experiences and exercises of party system. The political system Nepal has adopted since the end of partyless system is known as Westminster system. The basic characteristics of operational parts of Nepali political system – some inherited from the past and others introduced after 1990 political change – are unitary structure, first-past-the-post system, rule of majority, centralization of Kathmandu, centralized administration and centralized party structure. It has been increasingly realized that such features of Nepali political system and structures are unsuitable to pluralistic society of Nepal. So the voices for inclusive democracy with demands for proportional electoral system and federal structure are increasing. The quest for federalism is significant in advancing democracy in Nepal from that of conventional plebiscite structure to inclusive governance. Federal state, by any standard, is more inclusive than unitary one. As division of power on territory basis is the core of federalism, it naturally provides greater space to the minorities in sharing of social, economic and political power of the country.

The foreseeable changes, described above, at present, largely exist as alternative ideas pushing forward by *janajati* and other minority groups, civil society and advocacy groups, and small political parties. Considering multiple factors – i.e. merit of issues, increase of public opinion and pressure for restructuring political institutions to promote inclusive democracy, the Maoist's pressing for radical change, and increasing sensitivity of the largest parties to the issues of minorities concerned – the thought of alternative model of national integration, as suggested above, will certainly turn into reality. Only the question is timing, how near and how far, of translating proposal of restructuring of the state into the project of national integration. As the politics is heading towards restructuring of state, either through constitutional reform or election of constituent assembly, it is high time to intervene and exert pressure for consensual/inclusive democracy that definitely opens up new horizon of national unity and integration.

Notes

1. This paper takes macro level approach and identifies *janajati* (of both hill and tarai), *madheshi* (of both caste and *janjati* groups) and dalit (of both hill and tarai) as the excluded groups on two major grounds: one is their disadvantage position in national human development index and, the other, lower representation in integrated national governance index (see table 1. A and B) vis-à-vis hill Bahun-Chhetri. Each of them has own' specific ethnic identity – culture based identity of *janajati*, region based identity of *madheshi*, and dalit as the most backward, oppressed and suppressed group. For their shared interest/position vis-à-vis hill Bahun-Chhetri, they are commonly treated as the excluded groups. Some other words used to indicate the excluded groups in general discourse and also in this paper are: backward, deprived, discriminated, marginalized, unprivileged, ethnic, minority etc. Though some of these qualifier words/phrases may not suit to micro level analysis about the positions (political and economic) of some communities, i.e. Newar, Marwari, Thakali, Manange etc., except their subordinate position in prevailing dominant culture (language and religion) of hill high caste Hindus.

I got this impression through participation in several seminars/workshops on issues directly or indirectly related to ethnic question.

The elitist nature of ethnic movement is reflected in composition of its leaders/activists, not 'frustrated middle class' but elites, as observed by one foreign scholar, "At present among the promoters of 'cultural politics' are many prominent politicians, parliamentarians and intellectuals employed in key positions, entrepreneurs, highly regarded priests and religious leaders, and even government officials'. Jonna Pfaff-Czarnecka, 1999: 77).

4. Dahal states, "Historically those involved in trans-Himaliyan trade, i.e. Byansi of Darchula, Thakalis of Thakkhola, Manangbasi of Manag, Sherpas of Solkhumbu, Bhotiyas of Olangchunggola, Newars of Kathmandu valley, though they hold little cultivable land, are the most prosperous groups. Taking an isolated case of the result of 1991 general election, Dahal argued that it is not only the hill Bahun and Chhetri but also Newar, Thakali, Limbu, Gurung and Tharu were over represented in parliament than the size of their population (1995: 159).

5. P. R. Sharma views, "The rigid attitudes which divide the Pahades and Madhesiyas indicates an ethnic conflict of explosive potential which could well engulf Nepal in future (1992: 9). Similarly Dilli Ram Dahal expresses "If there is one area of the Himalaya that is simmering with ethnic discontent, it is the Tarai" (1992:17).
6. P.R. Sharma's sympathy to the problems of minorities is reflected in sentences, like, "...need of time is to accord other languages a meaningful place in national life". "...the cultural rights of the different communities were not recognized by the old state". "Modern states are based on the newer values of democracy, human rights, minority rights, equality and social justice" (1992).
7. The literacy rate of Bahun, Newar and Chhetri is 58, 55 and 42 percent respectively but for *Janajati*, madheshi and dalit the figure of literacy rate goes down to 35, 27 and 23 percent respectively. Similarly among the graduates of Nepal, Bahun constitutes 44 percent, followed by Newar's 31 percent and Chhetri's 14 percent. Such figure for *Janajati*, *Madheshi* and *dalit* is 2, 11, and 0.2 percent respectively (Gurung: 1998, 121).

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THE EFFECTS OF ALTITUDE ON CROP FARMING AND CASH CROP USE IN ILAM DISTRICT: SOME IMPLICATIONS FOR AGRICULTURAL POLICY

**Takashi Takahatake
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Introduction

The implementation of the First Five-Year Plan in 1956 marked the beginning of planned development in Nepal. Despite the passing of almost fifty years and the completion of the Ninth Plan in 2002, Nepal still remains one of the poorest and least developed countries in the world. While the mountainous nature of the country makes it difficult and expensive to implement development programmes and extend essential services in an effective manner, the inability of the past Plans to reach their targeted goals, particularly in the agricultural sector, has been a troublesome trend.

For the most part, the Plans have attempted to increase the production of food in order to meet the demands of the growing population. Although some successes have been had in terms of increasing total production, declining productivity and environmental degradation have made it difficult for the agricultural system to sustain itself. Since the start of the Eighth Plan in 1992, the promotion of cash crops has been a strategy that has been taken to try to improve the situation of farmers particularly in the hill region. The main objective of this strategy is to not only diversify the subsistence agricultural system, but to also commercialize agricultural production which can in turn help to stimulate growth in employment opportunities.

In light of the present focus on cash crop production, this paper is an initial attempt at trying to understand how farmers living in a cash crop growing region are utilizing cash crops in order to meet their yearly food needs. The first part of this paper provides a brief overview of the changes

that have been made in strategies taken to try to develop the agricultural sector. Then, village-level data concerning crop farming in Ilam District is analyzed according to altitudinal zones to see what kind of crop farming activities farmers are engaged in at various altitudes. The findings of this study show that there are distinct differences in the types of crops grown and the food sufficiency of farmers according to altitude and this in turn affects the ability of cash crops to help secure their food needs. It is hoped that the insights gained from this study can contribute towards resolving some of the problems that still need to be overcome if the present strategy is to see success in developing farming in the hill region of Nepal.

Agricultural Planning in Nepal

The planning of agricultural development in Nepal has gone through a variety of phases in order to try to increase the production of food. During the implementation of the first three Plans between 1956 and 1970, the basic objectives were to improve production through the dissemination of improved seeds and extension services. The First Plan (1956-1961) initiated adaptive research suited to the varied climatic conditions found in the country in different fields of agriculture and attempted to disseminate results of research that was found appropriate for adoption through agricultural extension programmes (NPC 1975: 32). A land reform programme was initiated during the Second Plan (1962-1965) and it was only during the Third Plan that production targets and agricultural development programmes became fixed at the national level.

Despite these efforts, the 1960s were characterized by stagnant growth¹ in the production of food, while the population continued to grow. The failure to meet national production and input use targets set for various crops has generally been blamed on the inadequate coordination and organization of the administrative structure, e.g., lack of coordination between various departments and the inability of inputs and extension services to reach those living in the village, etc. The failure of the country to grow enough food was leading Nepal towards an economic crisis, the centre of which was a crisis in food production (Seddon 1987: 44).

By the end of the Third Plan, the food-deficit situation of the mountain and hill regions was particularly acute, triggering a migration of people to the food-surplus terai region. While the malaria eradication programme conducted in the terai during the 1950s enabled people to clear and settle land

in this region, it was realized that such a migration trend was not sustainable and needed to be stemmed. At the same time, the eradication of malaria was eroding north-south linkages. Traditionally, trade was conducted with Tibet during the summer months when mountain passes became snow-free. During the winter, when malaria was less of a problem, trade would be conducted with India. The eradication of malaria, however, was enabling trade to be conducted with India year-round. Given the high costs of transporting goods to the hills, food surpluses tended to go to India resulting in an exacerbation of the food-deficit situation in the hill region (Gurung 1969: 3-5).

On top of all these problems, development efforts carried out in the first three Plans were being concentrated in the Kathmandu Valley and eastern terai region², further deepening the regional disparities within the country. It was therefore felt that a more balanced approach and greater equalization of development was necessary. Thus, from the start of the Fourth Plan (1970-1975), a regional approach centered along four north-south growth axes³ was thought to offer "the greatest prospects for the integration and coordination of the different development programmes in that they present both the east-west and north-south territorial dimensions of the country" (Gurung 1969: 12). This Plan tried to broadly exploit the comparative advantages of each of the ecological regions; livestock in the mountains, horticulture in the hills, and cereal and cash crop production in the terai. A fundamental problem with this Plan and that of the Fifth Plan (1975-1980) was the fact that even within one ecological zone, there were variations in the climates and types of crops that can be grown in them (Basnyat 1995: 33).

Therefore, the attainment of food self-sufficiency in the hill region became a major objective of agricultural policy during the Sixth Plan (1980-1985). While this had the effect of increasing the area of land under cereal crop cultivation in the hill region, the yield of crops tended to decline due to the marginal land that was being cleared for their cultivation. At the same time, the clearing of this land was further damaging the fragile mountain environment increasing the likelihood of landslides and decreasing watershed areas. The Seventh Plan (1985-1990) tried to address these environmental issues, but the clearing of land for cereal crop cultivation continued unabated in the hill region.

Given the unsustainable nature of increasing cereal production in the hill region, the focus of Government policy since the Eighth Plan in 1992 has been the promotion of cash crop production. The main goal of this cash crop promotion is to try to transform the subsistence agricultural system to a more

commercialized one, which can in turn help to increase employment opportunities. The Agriculture Perspective Plan (APP), formulated during the Eighth Plan, outlines a twenty year strategy to develop the agricultural sector in Nepal. The strategy calls for a greater reliance on the private sector to foster the commercialization of agriculture and relegate the role of the government to complement the activities of the private sector by reducing barriers and making investments in irrigation schemes, rural roads and electrification, chemical fertilizers, and agricultural technology⁴.

The APP takes a regional approach to development with different growth strategies for the terai and hill/mountain region. The development of the terai is for the most part "technology driven" and the main aim is to drastically increase the production of basic food staples. The strategy in the hills and mountains, however, is "demand driven". Through the increased income that people earn from the rise in production in the terai, it is envisioned that this will create a demand for high-value commodities that grow well in the various agro-ecological zones found in the mountains and hills. In particular, the APP calls for special attention to be paid on the development of livestock (specifically milk), citrus, apples, vegetable and vegetable seeds, and products of apiculture and sericulture (APROSC and JMA 1996: xix-xx).

Having gained a general understanding of the changes in agricultural policies, the next section takes a look at the crop farming situation in a region that is well-known for cash crop production in Nepal. With the current policy of trying to take advantage of the various agro-climatic zones in the hill and mountain regions, a particular focus is placed on the differences that are found in different altitudinal zones. By examining the differences according to altitude, it is hoped that a better understanding can be reached about farming in the hill region and help to shed light on some of the issues that need to be taken into consideration when trying to integrate cash crops into the subsistence farming system predominantly practiced in the hills.

Altitudinal Classifications Utilized in Nepal

One of the unique features of farming in mountainous regions lies in the existence of a wide variety of climates within a relatively small area due to altitudinal differences. Those living near river valleys, for example, tend to farm in a more tropical climate while areas near the mountain peaks have a more temperate type. Such differences in climate will tend to affect the types of crops that can be grown and also affect the yield of crops, thereby

affecting the food sufficiency of farmers. Despite the fact that village-level studies conducted up until this point in time recognize that differences exist in the type of crops and farming that can be conducted at various altitudes, the overall analysis has tended to focus on the village as a whole and the differences found between land types, upland-lowland areas⁵, landholding size, caste/ethnic groups, etc. (Adhikari 1996; Adhikari and Bohle 1999; Blaikie et al. 2000).

Various researchers have attempted to classify the climatic zones found in Nepal according to altitude, but as can be seen from Figure 1, they all tend to differ slightly from one another. When conducting research on farming, the altitudinal zonation proposed by Manandhar and Shakya (1996) seems to be the best suited given the fact that their study deals strictly with farming, while the other authors solely deal with the natural fauna found in each of the zones. From the classification given by Manandhar and Shakya, Figure 2 shows the different types of cropping patterns being practiced in each of the climate zones. As can be seen from the figure, those living below 1000m can grow between two to three crops in one calendar year, while those farming in the cool temperate to alpine climate zones typically grow only one crop.

For the purposes of this study, however, a horticultural zone classification also defined in the same study by Manandhar and Shakya will be utilised. The reasons for taking this horticulture zone classification are two-fold. Firstly, the APP has made the cultivation of crops such as citrus fruits and apples a priority and it is therefore useful to analyze the farming situation according to horticultural zones. Secondly, while the climate zone classification of Manandhar and Shakya does provide a generalized picture, observations from the field found that the horticulture zone classification was better suited to the actual situation of the study area.

Figure 3 shows the basic characteristics of the Manandhar and Shakya horticulture zone classification. As can be seen from the figure, they differ slightly from the more commonly used climatic zones. Nepal is home to various kinds of horticulture zones from tropical below 1000m to arctic conditions in mountain areas above 4500m. In terms of farming, rice can only be cultivated up to an altitude of 2000m and the double cropping of rice can only be conducted in areas below 1000m. Maize can be successfully grown up to an altitude of 2500m and the farming of crops on the South side of the Himalayas ends at around 3000m. Above the 3000m mark, the only crops that can be grown are potato, naked barley or wheat.

In order to better understand the differences in farming among these horticultural zones and the ability of cash crops to secure the food needs of farmers, Ilam District was chosen for empirical study because of the pioneering role that farmers in this region are playing in integrating cash crops into their subsistence farming system. Two Village Development Committees (VDCs) located next to Ilam Municipality were selected for detailed analysis due to their relative proximity to the commercial centre of the District and their differences in altitude (Figure 4). Namsaling VDC ranges in altitude from approximately 550m to 2000m, with the large majority of the village lying above 1000m. Soyak, on the other hand, ranges in altitude from about 350m to 1300m and thus is a much more low-lying village with the majority of the village falling under 1000m.

Despite the fact that it is necessary to examine both the crop farming and livestock activities in order to gain a fuller appreciation of the altitudinal differences of hill farming, this paper is an initial attempt at making altitudinal differentiations and will therefore focus solely on crop farming activities. In doing so, this study has concentrated its analysis on areas below 2000m as this is the main area in which rice cultivation is possible. The examination of crop farming in a district such as Ilam that is undergoing a transformation in the subsistence farming system is an important step in trying to gain a better understanding of how the current agricultural strategy can help improve the economic situation of farmers in the hill region.

Crop Farming in Three Altitudinal Zones

Landholding in Three Altitudinal Zones: The first thing that one needs to examine when conducting a study on crop farming is to gain a clearer picture of the farming environment. When breaking down the land types and landholding characteristics according to altitude some interesting differences can be found. Looking at Table 1, which shows the landholding of households in each of the altitudinal zones, there are some small differences that can be seen. Firstly, there tends to be a slightly greater proportion of landless without livestock in the 1000-1500m zone. The presence of the bazaar area in the upper part of this zone may help to account for this difference. There are also a slightly smaller proportion of small farms and a larger proportion of medium farms in the 1500m-2000m zone. The analysis in this chapter will show that this zone faces greater difficulties in

comparison to those living below 1500m and this may necessitate the need for more land in order to survive.

The differences in land become much clearer when looking at the distribution of the various types of land. Table 2 shows the area of the different types of land found in each of the altitudinal zones. The area below 1000m has the best land when one considers the fact that 43.2% of all the land is irrigated *khet*, while those living between 1500m and 2000m have very little *khet* land available for cultivation. Instead, the people living above 1500m are much more reliant upon irrigated *pākhā* land for their crop cultivation. While the proportion of non-irrigated *pākhā* land is similar for all three zones, the 1500m-2000m zone has almost double the amount of agro-forest land which is conducive for the growth of high earning crops such as cardamom.

Looking at the proportion of households holding different types of land and the average holding size in Table 3, some interesting differences are also seen. In particular, the importance of *pākhā* land for those living in the 1500m-2000m zone is quite clear with a large proportion of households in this zone having access to irrigated *pākhā*. While access to non-irrigated *pākhā* tends to decline as altitude increases, the average holding size tends to be bigger at higher altitudes. The importance of agro-forest land for those living in the 1500m-2000m zone is also evident; the average holding size and proportion of farmers holding agro-forest land being much larger in this zone.

Types of Crops Grown: In order to see what kind of differences can be found in the climate and crop farming practiced in the altitudinal zones defined above, Figure 5 shows the cropping calendar and farming operations of the main crops found in the two study villages according to the altitudinal zone where farmers live. Among those farming below 1000m and between 1000m and 1500m, there were very few differences that could be seen in terms of the months in which the various farming activities are conducted. The biggest difference was found in the between 1500m and 2000m, whereby the growing season for crops tends to be about one month longer in comparison to farmers living below 1500m. The presence of a cooler climate can be considered to be the major factor influencing this phenomenon.

Given the different environments that farmers are faced with in each of the altitudinal zones, the yield of crops will also differ. Table 4 shows the average area and yield of various crops according to altitudinal zone. For the most part, the yield of crops tends to decrease as altitude increases. The main

exception to this rule can be seen in wheat, with the yield of wheat increasing as altitude increases.

The characteristics of farming in the various altitudinal zones can also be illustrated by examining the type of crops that farmers cultivate and sell in each of the altitudinal zones (Table 5). In terms of cereal crops, the production of paddy and maize can be seen as being very important for farmers living below 1000m with the large majority of farmers cultivating these two crops. The average production below 1000m is also much higher in comparison to those living between 1000m-1500m. The importance of maize, however, tends to increase as altitude increases with average production being the greatest between 1500m-2000m. Millet and wheat are cultivated in all three altitudinal zones and while average production levels are relatively high below 1000m, these two crops tend to be more important for farmers living above 1000m with a greater proportion of farmers cultivating them.

In terms of non-cereal crops, there are also slight differences in the types of crops grown due to climatic conditions. Looking at the proportion of households growing non-cereal crops and their average production, fruits are for the most part grown below 1000m, while cardamom, which requires a cooler environment, is more commonly found between 1500m and 2000m. The remaining crops can theoretically be grown in all of the regions but there are a few differences noticed in the zones that some of the crops are produced in. For example, while the production of garlic is similar for all three zones, a greater proportion of farmers living below 1500m grow red chillies. Pulses also show a marked difference in areas that they are grown with dal/beans being more popular above 1000m, while average soybean production being much higher below 1000m. Ginger is grown by a large majority of farmers below 1500m but the average production in the between 1500m and 2000m is highest. Potato is also a popular crop whose average production tends to increase as altitude increases. Finally, farmers living below 1500m tend to produce greater amounts of mustard and green vegetables in comparison to those living above the 1500m mark.

The differences mentioned above can in part be explained by looking at the production that is put up for sale on the market and the average income earned from each of these crops. In terms of meeting the subsistence food needs from farming, it can be said that those living above 1500m have greater difficulties with lower average production of paddy and cooler climates which translates into a longer growing season for crops. In order to cope with this problem, farmers in this zone sell a variety of cash crops. Cardamom is

the highest earning crop in all of the three zones (Table 6). This crop, however, requires a cool, shady and moist climate to grow properly and thus can only be cultivated in areas of a village that have an environment conducive to its growth. Given the existence of such land in the upper part of Namsaling, it can be seen from Table 5, that farmers living between 1500m and 2000m rely heavily on cardamom as a source of income with a large proportion of farmers cultivating this crop. Although average production levels are higher between 1000m and 1500m, only 18% of farmers grow this crop mainly due to the lack of suitable land in this region of the village.

Ginger earns the second highest average income from sale above 1500m. Although a larger proportion of farmers living below 1500m grow ginger to earn cash income, the average production levels of ginger between 1500m and 2000m is much higher, making the income earned from ginger similar to that of what farmers living below 1500m earn from the sale of paddy.

Dal/beans are the third highest earning crop and the table shows that the average production levels and average sold production of dal/beans is much higher between 1500m and 2000m. From this finding, it can be said that dal/beans play an important role as a cash crop for farmers in this region. The reason for choosing dal/beans can be attributed to the higher price that it receives on the market in comparison to soybeans. In fact, the selling of dal/beans earns more income on average than that of maize between 1000m and 1500m and ginger below the 1000m mark.

Looking at the figures for potato, the proportion of farmers growing potato and selling potato and the average produced and sold amounts is highest between 1500m and 2000m (Table 5). As altitude increase, potato becomes more and more important as it is the one crop that can be grown at higher altitudes. Although potato does not earn as much money as ginger between 1000m and 1500m, it earns almost double that of maize grown below 1000m.

Finally, maize is also an important source of income. Although the average production of maize is highest between 1500m and 2000m, the amount of maize sold on the market is less than farmers living between 1000m and 1500m. A reason for this may be that given the poorer ability to grow paddy above 1500m, there is a need for farmers to consume a much larger proportion of their maize production.

Factors Affecting Adoption of Cash Crops: There are a number of factors that need to be taken into consideration when examining the ability of farmers to

integrate cash crops into their subsistence farming system. Firstly, as has been mentioned in previous sections, the types of crops that farmers can grow will be influenced by climate. Crops such as mango, citrus, peach and apple, for example, have unique climatic requirements and the ideal altitudinal zones in which they can be grown have been outlined in Figure 3.

Secondly, the food sufficiency of farmers can also influence their ability to adopt crops, especially those that compete for land with cereal crops and/or require a long gestation period. Those who have low levels of food sufficiency, for example, are less able to deal with the risks if investment in cash crops fails. Crops which have long gestation periods can also be difficult for a farmer to adopt due to the time that has to pass before income can be earned from their investment. In a food consumption survey conducted from the sample households, farmers were asked to estimate the total amount of different cereal and non-cereal food items they consume and the respective amounts that they purchased in the past year. From the data collected, the overall food sufficiency levels of households were calculated according to altitude, the results of which can be found in Table 7. As can be seen from Table 7, food sufficiency tends to be highest below 1000m and decrease as altitude increases. The warmer climate, greater presence of irrigated khet, and higher yield of crops at lower altitudes can all be seen as major factors influencing this trend. In the same survey, farmers were also asked how much money they spent to purchase each of the food items. From this data, the average prices for each of the food items were calculated in order to determine the approximate Rupee amount of food each household consumed and purchased in one year. As can be seen from the figures in Table 7, reliance on cash income to meet food needs tends to increase as altitude increases.

If incomes earned from cash crops are to be used to meet these yearly food expenses, those living between 1500m-2000m will have greater difficulties in doing so with a need to earn over three times more money than farmers living below 1000m. Cardamom was found to be a popular crop in this zone given the high price it receives on the market, low labour requirements, and the fact that it is grown on wasteland not suitable for the cultivation of cereal crops.

Thirdly, the investments that farmers make in labour, land and capital have to yield benefits and be of a reasonable scale in order for farmers to be willing to adopt crops. In terms of labour, farmers will be willing to invest their time and effort if their returns to labour are sufficient enough to justify

the effort. Table 8 shows the amount of labour used per ropani of land for various crops and the monetary returns to labour. As a general trend, the amount of labour used for the growing of non-cereal crops tends to be higher than that of cereal crops. Although there are higher labour requirements, non-cereal crops yield much higher monetary returns to labour.

Maize is one of the traditional cash crops in the region and this can in part be explained by the fact that in comparison to other cereal crops, relatively less labour is utilized to cultivate maize making the monetary returns to labour from this crop high. In terms of non-cereal crops, dal/beans and potato show relatively high returns to labour below 1000m. While further study of broomgrass and cardamom is still required, ginger is a crop that has high returns to labour in the 1000m-1500m and 1500m-2000m zones.

In order to examine the usefulness of cash crops in helping farmers meet their yearly food needs, the production costs⁶ and profitability⁷ of some of the major crops grown in the two study villages were calculated according to altitudinal zones. From these calculations, Table 9 has calculated the investment in terms of land and money that farmers need to provide in order to earn the average purchased food consumption shown in Table 7. This was done to gain an understanding of the scale of investment that one has to make in order to earn enough money to cover purchased food expenses for a year in each of the altitudinal zones.

Given the fact that many farmers do not have the ability to invest large amounts of money, the loan amounts given out by microfinancial institutions can be considered to be a good guide as to what can be considered to be a small amount of money. In the two study villages, saving and credit groups typically lent between NRs. 2500 to NRs. 5000. The SFDP office located in Namsaling would typically lend up to NRs. 15000. With this in mind, when looking at the figures for those living below 1000m, it is quite evident that small microfinancial loans can be invested in any crop and earn enough money to cover purchased food expenses. The main problem is that cereal crops need a much larger area of land investment in order to earn enough income in comparison to non-cereal crops needs.

For farmers living between 1000m and 2000m, it is quite evident that the investment of microfinancial funds for cereal crops is not feasible and the large area of land that needs to be used is simply unrealistic. Thus investments in non-cereal crops are the only viable alternative. From the data available in the 1000m-1500m altitudinal zone, investment in cardamom is rather difficult, especially for poorer farmers, given the large initial

investment (NRs. 25,319) required to purchase seedlings. Although the area of land needed is small, at 3.6 ropani, the environment needed to grow this crop is very specific and thus can only be grown in certain areas. Ginger would seem to be the best alternative in this zone, given the relatively small amount of money (NRs. 5,539) needed for investment to meet purchased food needs. The figures for broomgrass are a little misleading simply because it is a crop that is typically grown in areas where other crops cannot. Further study is required to see what the costs and profits of this crop would be when it is farmed in a more intensive manner.

The figures in the 1500m-2000m altitudinal zone show that farmers need to invest over NRs. 30,000 in farming in order to be able to make enough money to cover their purchased food needs. The greater reliance on purchased food and the lower profitability of crop production in this zone can be considered to be the major reasons for this. Finally, the figures for all the altitudinal zones covered in this study show that the monetary investments for paddy, maize, wheat, ginger, potato and dal/beans⁸ are small enough for the loan amounts disbursed by saving and credit groups. The land requirements, however, for cereal crops are not realistic and thus investment in the production of non-cereal crops would seem to be the best option.

Problems Facing Farmers in Ilam District: Despite the potential benefits that cash crop farming can have in improving the lives of farmers, any newly adapted activity will undoubtedly face its share of problems. Sample farmers were surveyed to gain an understanding of the problems that they are facing not only in cash crop farming but in farming in general as well. Overall, diseases and pests were cited as being the most common problem, especially for those living in the warm climate found below 1000m (Table 10). While problems of irrigation were common, the need for technical knowledge on farming techniques and how to grow crops in a more productive manner were seen as the second biggest problem by farmers.

The severity of the problems listed in Table 10, however, only provide a partial understanding. Given the differences found in the ability of farmers to produce enough food for their sustenance in the various altitudinal zones, Tables 11 to 13 examine the problems that farmers are facing according to the type of crop that they produce, i.e., cereal crops, cash crops, and vegetables.

In terms of cereal crop farming, lack of irrigation facilities, need for technical knowledge and improved seeds were the most common problems cited by farmers, respectively (Table 11). While irrigation was cited as being

the most common problem for those living below 1000m, diseases and pests were also seen as being a major headache affecting production levels. Farmers living between 1000m and 2000m faced fewer problems in terms of disease and pests but felt a much greater need for technical knowledge on how to grow crops in an effective manner. The high number of responses citing the lack of improved seeds, fertilizers and irrigation facilities reflects the desire for farmers to increase their production levels through the use of more modern technologies. In the cooler climate of the 1500m-2000m zone, the need for improved seeds was the most common problem. Given the lower yields and profitability of farming, it is understandable that farmers would want to have better seeds that could help to boost production levels.

In terms of vegetable farming, problems of diseases and pests were overwhelmingly seen as being the most problematic, especially for those living below 1000m (Table 12). While the need for technical knowledge on how to grow vegetable crops effectively was considered to be important, those living in the 1500m to 2000m again felt a strong need for improved seeds.

When it comes to cash crops, however, the importance of marketing problems come to the fore (Table 13). Difficulties in transporting goods to the market due to poor road networks can be cited as being a major factor. In the 1500m-2000m zone, problems of disease and pests received the most responses among farmers. In recent years, diseases called jurjure and pafele by the local people have affected the cardamom and ginger crops respectively. Such diseases can drastically reduce the production levels of these crops and are very troublesome for farmers in this zone especially when one considers the importance of these crops as a source of income. Attempts were made during the field visit to try to find out the nature of these diseases but the lack of pathological testing facilities in the district made it difficult to do so.

In order to overcome such problems, the provision of quality extension services that are relevant to the situation of farmers is important. The Department of Agricultural Development (DOAD) which is responsible for the provision of extension services, however, has had difficulties in providing these services in an effective manner. Basnyat (1995: 36) has criticized the fact that the extension services up until now have been unsuccessful in properly educating farmers due to their preoccupation with "meeting certain preordained quantitative targets such as number of trials, demonstrations,

tours, trips, and training sessions without regard to their impact on agriculture production.”

The APP also recognizes that the DOAD has had difficulty in providing proper extension services.

At the District level, functional linkages among the DOAD and other related agencies have remained weak, with the result that coordination is poor between research and extension, irrigation and extension, extension and credit, and extension and fertilizer....Past efforts to improve interagency coordination have not produced positive results (APROSC and JMA 1996: 285).

In the study area, sample farmers who had participated in extension programmes were asked about their opinion concerning the usefulness of the extension services provided. Out of the 118 households sampled, it was found that only 20 households had any experience in dealing with extension services. Those who had participated, however, tended to partake in a variety of different programmes. On a scale of one to five, one being not useful and five being very useful, farmers were asked to rank their satisfaction level with different programmes and the results are shown in Table 14. It was found, however, that the lowest score that farmers gave was a score of three, i.e., indifferent. Thus a satisfaction level of three should be considered as being poor.

Overall, farmers found the various extension programmes that they had participated in rather useful. In particular, satisfaction was particularly high for result demonstrations and animal fairs. Programmes dealing with the teaching of farming methods, however, did tend to receive lower scores, i.e., method demonstration, Kishan Brahman⁹, training. These technical training programmes therefore need to be improved if more productive methods of farming are to be disseminated to the village level.

Implications for Agricultural Policy

The analysis of crop farming has shown that there are distinct differences between altitudinal zones. These characteristics need to be taken into consideration when trying to resolve problems, set priorities, and implement agricultural policy initiatives. In the study, it was also found that the

problems that farmers are facing differed according to altitude and these difficulties have plagued Nepal since the inception of the First Plan. Some of the initiatives outlined in the APP, however, might help to resolve or at least improve upon a number of the past problems.

The poorly developed road infrastructure in the hill region has been problematic given the difficulties and costs associated with the transport of goods to and from villages and market centres. In Ilam District, the proliferation of cash crop farming roughly coincides with the paving of the main road linking Ilam Municipality to Jhapa in the late 1980s. The creation of a new Department of Agricultural Roads to oversee the construction of new roads will therefore play an important role to the success of the APP strategy. The commitment to building up a road network is an investment that will be very beneficial not only for the transport and marketing of cash crops, but also reduce the costs of transporting inputs that can vastly improve the productivity of agriculture.

The focus on greater privatization may also have a positive impact on the availability of various inputs. In order to overcome the problems related to the lack of inputs, the Government has started on a course to remove subsidies on these goods. A major problem affecting the distribution of inputs has been due to the budgetary constraints of the government; they have been unable to provide enough of these inputs with the subsidies that they have been providing. By limiting the role of the government, through the removal of subsidies, and leaving the development of input markets to the private sector, it is hoped that the allocation of resources can be achieved in a much more efficient and effective manner. In particular, the Government is placing a high priority on the distribution of chemical fertilizers and aims to support the activities of the private sector in the following manner:

Under this arrangement, there is no need to acquire import license, and foreign currency will be made available easily on the basis of a letter of credit from the bank. Importers are allowed to fix retail price. From this arrangement, timely availability of chemical fertilizer at competitive price on a regular basis is ensured for the farmer (NPC 1998: 387).

The development of irrigation is also seen as being important, with an emphasis on the development of shallow tube wells in the terai and surface water schemes in the hills and mountains. Past Plans, however, have

generally not been able to meet projected targets in terms of area coverage. The main difference that can be seen between the current strategy and past Plans is that there is a greater focus on decentralized planning and implementation. The District Development Committee (DDC) is given greater responsibility for determining the priorities of their respective Districts while the VDCs are to play an important role in helping the DDC identify where and what kind of activities should be promoted as well as monitor and provide feedback of activities (APROSC and JMA 1996: 280). This greater participation from the local level bodies is hoped to be able to facilitate the organizational aspects of increasing irrigation areas.

The biggest challenges that can be foreseen in the success of APP strategy lies in the decisions that the DDC has to make in terms of where resources should be invested, the crops that should be given priority, and the implementation of effective extension services to support the development of priority crops. The APP emphasizes the need to be selective and suggests that "demand is best led by a single "lead" crop and a single "lead" livestock commodity per ecological planning unit in both the hills and mountains. This is done to take advantage of significant scale economies in research, input purchase, extension, production, processing, commercialization, and export promotion" (APROSC and JMA 1996: 214). While this does not rule out the growing of other high value crops by farmers, the APP calls for the Government to focus solely on the lead commodities.¹⁰

In the Eastern Hills, the APP has recommended that for crop farming, citrus fruits are best suited as the lead commodity while tea, cardamom, and off-season vegetables have a good potential as subsidiary commodities. In terms of livestock farming, dairy is seen as being the lead commodity while goats, pig and angora rabbits are potential subsidiaries (APROSC and JMA 1996: 216). The adoption of crops such as citrus, tea, and cardamom, however, can be difficult for farmers given the gestation periods needed before these crops can earn income. Thus the APP has recommended that the changes in cropping patterns should undergo a four stage process outlined in Table 15.

The following of such a sequence, or something similar to it, is thought to be essential so that those living in the hill region do not lose confidence in their ability to invest in cash crops. At the same time, it is noted that "this sequence is consistent with the APP agricultural expansion timing. Some crops can be produced on small farms without diseconomies; for other

commodities, farming with agribusiness firms may be necessary" (APROSC and JMA: 217).

The APP has also set certain targets for the area coverage of high-value crops¹¹ according to land type. By the end of the twenty-year plan period in 2015, the following percentages of land are expected to be devoted to high-value commodities in the hill region: 5% of irrigated valleys, 8% of monsoon irrigated valleys, 13% of unirrigated slopes, 33% of irrigated slope-land, and 43% of monsoon irrigated slope-land (APROSC and JMA: 217). Separate targets have also been set for mountain areas and it is estimated that if all of the land coverage targets are met, the per capita GDP and share in GDP will meet the calculated projections.

The altitudinal analysis of crop farming has found, however, that the food sufficiency of farmers tends to differ according to altitudinal zone. Given the risk-adverse nature of subsistence farmers, the need and willingness to adopt the lead and/or subsidiary crops will also tend to differ according to altitude. The findings from this study have also shown that those living below 1000m can earn enough income to meet their yearly food needs from the sale of crops such as dal/beans, ginger, and potato with relatively small investments in land and capital. Those living in the 1000m-1500m altitudinal zone, which has an ideal climate for the growing of citrus fruits (see figure 3), have a relatively more difficult time to meet their food needs. Although their yearly purchased food expenses can be met through the sale of crops such as ginger, the long gestation period of citrus fruits can make it difficult for farmers to adopt this crop.

One of the key factors in ensuring the success of the APP strategy lies in the bolstering of food production through increased use of fertilizers and irrigation, which will better enable farmers to adopt lead commodities. Despite the failure of past Plans to achieve similar goals, the focus on liberalization of the economy and decentralization of decision-making is hoped to bring about better results. Regardless of how successful the government is in achieving production targets, the findings from the study have shown that those living below 1000m have higher levels of food sufficiency and will therefore be better positioned to adopt crops such as citrus fruits compared to farmers living in the 1000m-1500m zone. In fact, Table 5 has shown that citrus fruits were more popularly grown below 1000m.

This study has also found that the farmers living in the 1500m-2000m zone have the hardest time meeting their food needs from crop farming alone.

While further study needs to be done concerning the contribution of livestock to agricultural income, high-value commodities that compete with cereal crops for land will be much more difficult to adopt in this zone. Cardamom, however, is a crop that grows on moist and shady wasteland that is not suitable for the cultivation cereal crops. This crop is extremely popular for those who are able to adopt it given the low labour requirements once the seedling is planted. The major obstacles to the adoption of cardamom lies in the availability of suitable land, the costs associated with purchasing cardamom seedlings, the ability of a farmer to absorb the costs associated with the gestation period that is needed before income can be earned, and the problems associated with disease that had greatly reduced the productivity of cardamom. Policies that can help farmers overcome such obstacles will be very important for those living in this zone.

The success of the APP will dependent upon the ability of the government to meet the targets set for its four main policies: roads, irrigation, chemical fertilizers, and agricultural technology. While the poor performance of the past Plans can make one cynical of the ability of the current strategy to achieve targeted goals, the APP states that the past Plans had spread efforts out too thinly so that nothing was able to work properly. The very tight priorities that have been established in the APP is hoped to bring about better results (APROSC and JMA 1996: xxix).

While the focus on a single lead crop can help to take advantage of scale economies in the various aspects of its cultivation and has the potential to bring about positive results in the long-run, this study has shown that in a region where farmers are integrating cash crop into their subsistence farming system, the needs and ability of farmers to adopt high-value crops differs according to the altitudinal zones. It will be important for the government to remain flexible and not ignore the way farmers are adapting to the new policy environment.

Figure 1: Bioclimatic (altitudinal) zonation proposed by various authors

Altitude in Metre	Troup (1926)	Numata (1966)	L.R.M.P. (1985)	Staiton (1972)	Dobremez & Shakya (1975)	Keshab Shrestha (1998)	Manandhar & Shakya (1996)
5000							
9							
8							
7							Arctic
6							
5		Arctic	Arctic		Alpine		
4							
3	Alpine					Alpine	Alpine
2							
1							
4000							
9							
8							
7				Alpine			
6							
5							
4		Sub-alpine	Alpine		Sub-alpine	Sub-alpine	Sub-alpine
3							
2	Upper Temperate						
1							
3000							
9							
8		Cool Temperate					
7							
6			Cool Temperate	Temperate	Temperate	Temperate	Cool Temperate
5							
4							
3							
2	Lower Temperate	Temperate					
1							
2000							
9							
8							
7							
6		Cool Temperate	Warm Temperate	Sub-tropical and Tropical	Sub-tropical	Sub-tropical	Warm Temperate
5							
4	Sub-tropical and Tropical						
3							
2							
1		Sub-tropical					
1000			Tropical		Tropical	Tropical	Sub-tropical

Source: Shrestha, T.B. (1989); Shrestha, Keshab (1998), Manandhar and Shakya (1996)

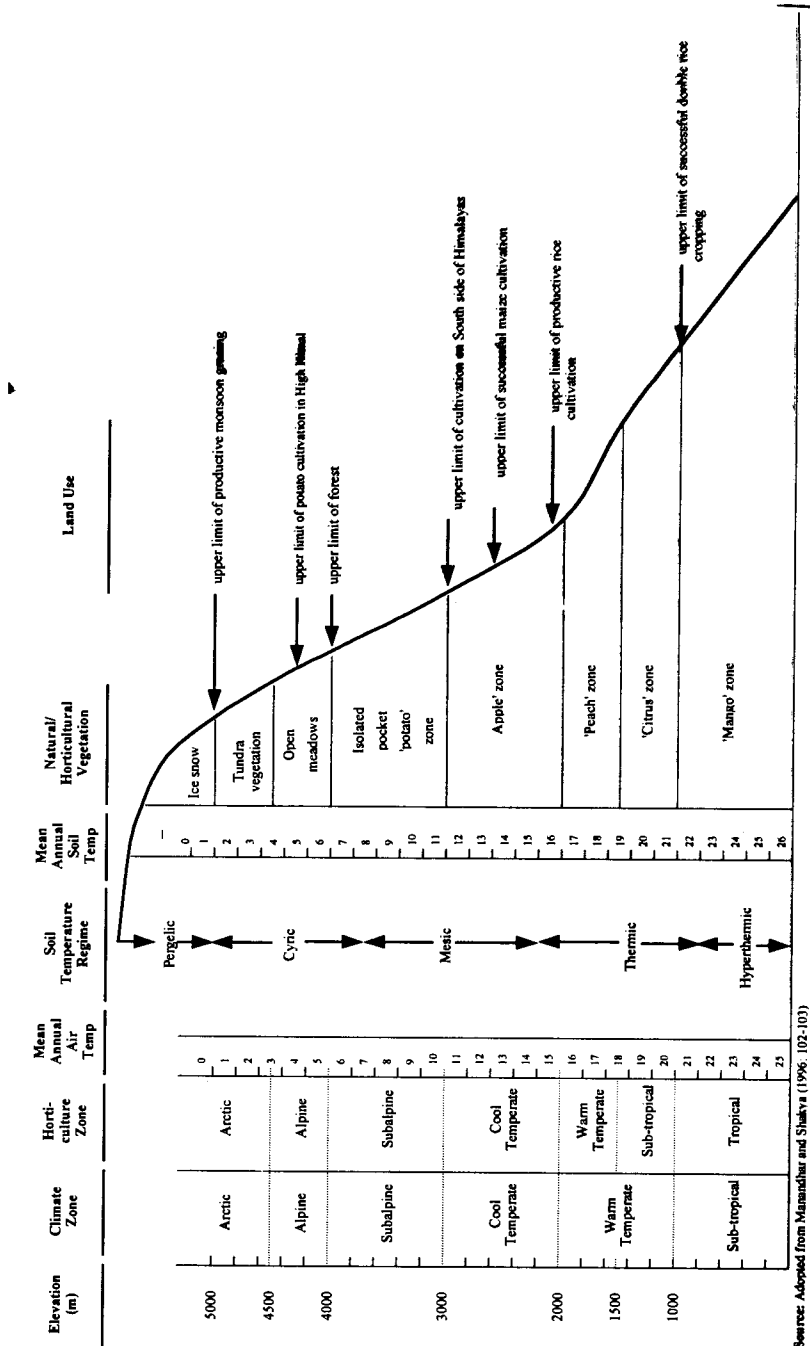
Figure 2: Cropping Patterns in Different Agro-ecological Zones

Sub-tropical (<1000 m asl)	Rainfed	Maize-Mustard-Fallow Rice-Wheat-Fallow Rice-Mustard-Lentil Cotton+Pigeon Pea Jute-Mustard-Fallow	Rice-Fallow Rice-Mustard-Chickpea Maize-Chickpea or Lentil Finger millet-Lathyrus Jute-Wheat-Fallow
	Irrigated	Rice-Wheat-Fallow Rice-Rice/Lentil Rice-Wheat-Dhaincha Rice-Fieldpea Rice+Pigeon pea (in rice bund)-Wheat	Rice-Rice-Wheat Rice-Wheat-Mungbean Rice-Potato-Dhaincha Rice-Rice-Maize
Warm Temperate (1000m-2000m asl)	Rainfed	Maize/Finger millet-Wheat Maize+Soybean-Mustard/Fallow Maize+Upland Rice-Fallow	Maize/Finger miller-Fallow Maize-Barley Maize+Rice-Wheat
	Irrigated	Rice+Blackgram in bund-Wheat Rice-Wheat-Fallow Rice-Rice-Wheat	Blackgram-Wheat-Fallow Rice-Wheat-Maize Rice-Barley
Cool Temperate to Alpine (2000m-3000m+) ¹	Rainfed	Maize-Fallow Maize-Wheat Wheat-Finger millet (2 years pattern) Maize-Naked Barley-Finger millet (2 years pattern) Maize-Wheat-Finger millet (2 years pattern)	Potato-Fallow Naked barley-Fallow
	Irrigated	Rice-Naked Barley Rice-Wheat	Buckwheat-Naked Barley Potato-Naked Barley-Fallow (2 yrs Pattern)

Note: ¹One crop is usually grown at lower altitudes and as additional second crop is only possible in a few areas. In higher altitudes, three crops are generally grown in a two year time span. Above 3000m, only one crop of potato, naked barley or wheat.

Source: Manandhar & Shakya (1996: 18).

Figure 3: Relationship between Elevation, Climatic and Horticulture Zone, Mean Annual Air and Soil Temperature, Vegetation, and Land Use Limits



Source: Adopted from Manandhar and Shukla (1996: 102-103)

Figure 5: Cropping Calendar and Farming Operations for Selected Crops in Study Area According to Altitudinal Zone

Season	Monsoon				Post-monsoon				Winter				Pre-monsoon				Monsoon									
	Summer				Autumn				Winter				Post-monsoon				Summer									
Nepalese Months	Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magha	Falgun	Chaitra	Baisakha	Jestha	Ashadha	Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magha	Falgun	Chaitra	Baisakha	Jestha	Ashadha		
Western Months	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	Jun	Jul	
Below 1000m	Paddy																									
	Maize																									
	Millet																									
	Wheat																									
	Dal/Bans																									
	Ginger																									
	Mustard																									
	Potato																									
1000m - 1500m	Paddy																									
	Maize																									
	Millet																									
	Wheat																									
	Dal/Bans																									
	Ginger																									
	Mustard																									
	Potato																									
1500m - 2000m	Paddy																									
	Maize																									
	Millet																									
	Wheat																									
	Dal/Bans																									
	Ginger																									
	Mustard																									
	Potato																									

Source: Field Survey 1999, 2001

Note: Sb = Seed bed making, Lp = Land preparation, Sw = Sowing, Tp = Transplantation, F = Fertilizing, W = Weeding and Raking, Mu = Mulching, R = Ridging and Furrowing, P = Punning, H = Harvesting, Th = Threshing and Winnowing, D = Drying, St = Storming. Shaded areas indicate irrigation period

Table 1: Landholding According to Altitudinal Zone in Study Area

Landholding Category \ Altitudinal Zone	Below 1000m		1000m- 1500m		1500m- 2000m		All Zones	
	No	%	No	%	No	%	No	%
Landless without livestock	8	1.4	27	3.9	2	1.3	37	2.6
Landless with livestock	10	1.7	8	1.2	1	0.6	19	1.3
Small	143	24.7	178	26.0	31	20.0	352	24.8
Medium	335	58.0	354	51.8	99	63.9	788	55.6
Large	82	14.2	117	17.1	22	14.2	221	15.6
Total	578	100.0	684	100.0	155	100.0	1417	100.0

Note:

- 1) "Landless with livestock" are holdings having area under crops less than 0.01272 ha (4 Aanas), but raising at least two productive animals (i.e. two cows, buffalo, ox, horse, mule or five goat, pig, sheep) or twenty poultry birds. The "landless without livestock" has been added because it is a category that it overlooked by the Agricultural Census.
- 2) Small = 0.01272 ha to under 0.5 ha; Medium = 0.5 ha to under 2ha; Large = 2 ha and over
- 3) The landholdings of households are calculated according to the method utilised in the Agriculture Census of Nepal and is the sum of all land types operated by farmers including khet, pakha, homestead, agroforest, pasture, and forest land.

Source: Field Survey 1999, 2001

Table 2: Area of Different Land Types According to Altitudinal Zone (Ha)

Altitudinal Zone Land Type		Below 1000m		1000m-1500m		1500m-2000m		All Zones	
		Area	%	Area	%	Area	%	Area	%
Khet	Irrigated	293.8	43.2	247.0	31.9	8.5	4.5	549.3	33.4
	Non Irrigated	17.7	2.6	16.7	2.2	0.5	0.2	34.8	2.1
Pakha	Irrigated	22.6	3.3	94.5	12.2	54.3	28.8	171.4	10.4
	Non Irrigated	217.9	32.0	264.9	34.2	60.7	32.2	543.5	33.1
Homestead		56.4	8.3	55.1	7.1	24.6	13.1	136.1	8.3
Agro-forest		71.1	10.4	95.5	12.3	39.8	21.1	206.4	12.6
Pasture		9.6	1.4	30.0	3.9	2.2	1.2	41.8	2.5
Forest		1.0	0.1	0.4	0.05			1.4	0.1
Total		680.5	100.0	774.1	100.0	188.4	100.0	1643.0	100.0

Source: Field Survey 1999, 2001

Table 3: Proportion of Households Holding Different Land Types and their Average Holding Size According to Altitudinal Zone

Below 1000m			1000m-1500m			1500m-2000m					
No	%	Avg. Size (Ha)	No	%	Avg. Size (Ha)	No	%	Avg. Size (Ha)	No	%	Avg. Size (Ha)
451	78.0	0.65	459	67.1	0.54	13	8.4	0.65	923	65.1	0.60
38	6.6	0.47	45	6.6	0.37	1	0.6	0.46	84	5.9	0.41
49	8.5	0.46	154	22.5	0.61	122	78.7	0.45	325	22.9	0.53
416	72.0	0.52	448	65.5	0.59	75	48.4	0.81	939	66.3	0.58
578	100.0	0.10	684	100.0	0.08	155	100.0	0.16	1417	100.0	0.10
150	26.0	0.47	261	38.2	0.37	76	49.0	0.52	487	34.4	0.42
32	5.5	0.30	89	13.0	0.34	8	5.2	0.27	129	9.1	0.32
4	0.7	0.25	2	0.3	0.18		0.0		6	0.4	0.23
578	100.0	1.18	684	100.0	1.13	155	100.0	1.22	1417	100.0	1.16

Survey 1999, 2001

Table 4: Average Area and Yield of Various Crops According to Altitudinal Zone

Crop	Below 1000m (n=66)		1000m-1500m (n=44)		1500m-2000m (n=5)		All Zones (n=116)	
	Avg. Area (Rop)	Avg. Yield (Kg/Rop)	Avg. Area (Rop)	Avg. Yield (Kg/Rop)	Avg. Area (Rop)	Avg. Yield (Kg/Rop)	Avg. Area (Rop)	Avg. Yield (Kg/Rop)
Paddy	21.9	112	15.6	76.5	17.3	42.3	19.8	99.1
Maize	15.6	67.6	15.1	40.1	19.5	37.4	15.6	55.9
Millet	10.9	45.2	8.6	45.4	4.9	36.8	9.1	44.1
Wheat	8.3	54.3	6.2	69.1	2.5	73.1	7.5	58.7
Broomgrass			9.8	19.1			9.8	19.7
Cardamom			2	51.3			2	51.3
Dal/Beans	0.5	105.2					0.5	105.2
Ginger	4.3	344.3	8.5	224	9	124.4	7.1	261.1
Potato	10.9	303.3	1.8	110.4	4.3	146.6	6.6	207.2
Total	14.8	93.8	12.1	71	13.6	83.4	15.6	83.4

Source: Field Survey 1999

Table 5: Production and Sale of Various Crops According to Altitudinal Zone

Altitudinal zone		Below 1000m (n=66)						1000m - 1500m (n=44)						1500m - 2000m (n=6)					
Crop	Avg. Market Price (NRs./Kg.) ¹	Production			Sale			Production			Sale			Production			Sale		
		% of Sample HH	Avg. Prod. (Kg)	% of Sample HH	% of Sold Prod. (Kg)	Avg. Income from Sale ²	% of Sample HH	Avg. Prod. (Kg)	% of Sample HH	Avg. Income from Sale	% of Sample HH	Avg. Prod. (Kg)	% of Sample HH	Avg. Income from Sale	% of Sample HH	Avg. Prod. (Kg)	% of Sample HH	Avg. Income from Sale	
Cereal crops																			
Paddy	10	92.4	1,794	24.2	991	9,911	84.1	1,117	9.1	1,024	10,238	552	50.0	552	16.7	373	4,315		
Maize	11.56	98.5	509	16.7	216	2,497	97.7	539	9.1	537	6,210	763	100.0	763	33.3	55	633		
Millet	11.5	59.1	284	10.6	182	2,090	81.8	207	31.8	217	2,493	138	66.7	138	33.3	149	1,568		
Wheat	10.5	57.6	208	21.2	179	1,875	63.6	141	6.8	169	1,772	219	66.7	219	33.3	149	1,568		
Other Cereals		3.0	113				2.3	3											
Fruits																			
Banana ¹	1	53.0	316	16.7	336	336	25.0	157	2.3	50	50								
Citrus Fruits		27.3	124	13.6	198		4.5	10											
Cardamom	267.92	18.2	56	15.2	67	17,875	18.2	302	18.2	302	80,848	276	83.3	276	83.3	261	69,999		
Garlic	35.88	24.2	5	6.1	5	188	34.1	12	4.5	15	538	8	33.3	8					
Red chilli	94.44	69.7	9	10.6	12	1,106	54.5	8	4.5	8	708	8	33.3	8					
Pulses																			
Dal/beans	31.2	34.8	26	1.5	18	547	59.1	56	20.5	68	2,114	121	66.7	121	33.3	201	6,259		
Soybeans	18.85	19.7	104	6.1	197	3,718	9.1	14				10	50.0	10					
Ginger	13.1	83.3	527	81.8	415	5,441	81.8	426	61.4	438	5,732	746	33.3	746	33.3	741	9,713		
Potato	7.89	78.8	159	9.1	159	1,252	65.9	290	13.6	373	2,945	21	66.7	1,026	66.7	607	4,785		
Mustard	27.5	42.4	46				50.0	48	2.3	44	1,212	49	50.0	21					
Green veg.		71.2	552	4.5	90		45.5	122	2.3	37			66.7	49					
Roots/tubers		15.2	140				9.1	233		26									
Others ¹		60.6	41	12.1	77		11.4	29	6.8			13	50.0	13	33.2	20			

Note:

1 Average market prices are for 1997/98 in Ilam District, with the exception of banana and cardamom which are prices that farmers receive at harvest time.

- 2 Average income is derived by multiplying average sold production by the average market price.
- 3 Average Production for bananas is not in kilograms but in pieces. For example, the average self production for banana in the tropical zone is not 336 kg but 336 bananas.
- 4 Others includes herbal medicine, honey, jute/tobacco, kandamul, leechi, onion, other fruits, peanuts, silk, sugarcane, tea/coffee

Source: Field Survey 1999; Marketing and Development Division (1998: 12); Manandhar and Shakya (1996)

Table 6: Ranking of Crops According to Average Income Earned from Sale in Three Altitudinal Zones

Altitudinal Zone	Below 1000m		1000m-1500m		1500m-2000m	
Rank	Crop	Avg. Income from sale	Crop	Avg. Income from sale	Crop	Avg. Income from sale
1	Cardamom	17,875	Cardamom	80,848	Cardamom	69,279
2	Paddy	9,911	Paddy	10,238	Ginger	9,713
3	Ginger	5,441	Maize	6,210	Dal/Beans	6,259
4	Soybeans	3,718	Ginger	5,732	Potato	4,785
5	Maize	2,497	Potato	2,945	Maize	4,315
6	Millet	2,090	Millet	2,493	Wheat	1,568
7	Wheat	1,875	Dal/Beans	2,114	Millet	633
8	Potato	1,252	Wheat	1,772		
9	Red chili	1,106	Mustard	1,212		
10	Dal/Beans	547	Red chili	708		

Source: Field Survey 1999; Manandhar and Shakya (1996); Marketing Development Division (1998).

Table 7: Food Sufficiency and Rupee Value of Food Consumption According to Altitudinal Zone

Altitudinal Zone	No of HH	Food sufficiency (%)	Total Food Consumption		Purchased Food	
			Average per HH (NRs.)	Average per person (NRs.)	Average per HH (NRs.)	Average per person (NRs.)
Below 1000m	65	74.8	51,935	8,796	11,954	2,257
1000m-1500m	44	57.4	71,022	11,261	23,964	3,797
1500m-2000m	6	45.3	62,673	9,854	39,977	6,500
Total	115	66.6	59,599	9,832	17,906	3,107

Source: Field Survey 1999

A. Labour Use and Monetary Returns to Labour for Various Crops According to Altitudinal Zones

Below 1000m		1000m-1500m		1500m-2000m		All Zones	
Mandays/ Ropani	NRs./ Manday	Mandays/ Ropani	NRs./ Manday	Mandays/ Ropani	NRs./ Manday	Mandays/ Ropani	NRs./ Manday
27.9	40.5	29.2	25.5	29.6	14.6	28.3	36.1
8.2	93.4	15.7	29.3	17.1	25.3	11.5	55.5
18.0	28.9	46.1	10.6	47.6	8.9	30.8	16.3
13.6	41.2	36.8	19.8	37.6	19.6	18.6	32.0
		0.4	1300.8			0.4	1300.8
		35.9	383.2			35.9	383.2
32.5	104.4					32.5	104.4
79.6	57.6	32.9	89.3	32.9	49.6	42.8	74.8
27.1	17.9	48.0	2.1			46.2	2.9
35.6	67.2	39.8	21.9	39.8	28.4	36.7	56.0
		12.5	14.9			12.5	14.9
19.3	50.0	25.3	29.5	25.5	21.0	21.6	40.4

Day = 8 hours of adult labour; For survey year 1999, \$1US = NRs. 68.25

Survey 1999; Marketing Development Division (1998)

Table 9: Area of Land and Investment Required to Meet Purchased Food Expenses

Crop	Below 1000m		1000m-1500m		1500m-2000m		All Zones	
	Area (Ropani)	Required Investment (NRs.)	Area (Ropani)	Required Investment (NRs.)	Area (Ropani)	Required Investment (NRs.)	Area (Ropani)	Required Investment (NRs.)
Paddy	12.1	1,786	58.9	19,784	499.7	176,399	21.8	4,318
Maize	16.7	887	79.1	12,496	167.3	32,283	33.3	3,334
Millet	26.7	1,948	103.7	26,661	309.9	91,110	52.2	8,300
Wheat	23.7	1,305	61.6	21,007	99.2	33,132	37.4	4,374
Broomgrass			64.4	10,243			48.1	7,653
Cardamom			3.6	25,319			2.7	18,918
Dal/Beans	3.5	0					5.3	0
Ginger	3.1	2,417	10.1	5,539	46.5	35,793	6.9	4,229
Potato	5.4	1,007			1998.9	2,224,720	11.1	4,811
Total	13.9	1,477	49.5	13,071	185.1	59,225	25.1	4,288

Note: Purchased food expenses are as follows: Below 1000m = NRs. 11,954, 1000m-1500m = NRs. 23,964, 1500m-2000m = NRs. 39,977, All Zones = NRs. 17,906.

Source: Field Survey 1999

Table 10: Problems Facing Crop, Cash Crop and Vegetable Farming According to Altitudinal Zone

Crop Farming Problems	Below 1000m		1000m-1500m		1500m-2000m		All Zones	
	No of Responses	%	No of Responses	%	No of Responses	%	No of Responses	%
Disease and Pests	74	34.7	20	12.0	4	17.4	98	24.3
Technical Knowledge	31	14.6	39	23.4	6	26.1	76	18.9
Irrigation	37	17.4	26	15.6	3	13.0	66	16.4
Lack of Improved Seeds	20	9.4	36	21.6	8	34.8	64	15.9
Lack of Fertilizer	19	8.9	22	13.2	1	4.3	42	10.4
Lack of Pesticides	6	2.8	14	8.4	1	4.3	21	5.2
Marketing	23	10.8	10	6.0			33	8.2
Other	3	1.4					3	0.7
Total	213	100.0	167	100.0	23	100.0	403	100.0

Note: Disease and pests includes knowledge of diseases, insect, viral infection, monkey.

Technical Knowledge includes need for training, farming techniques, etc.

Irrigation includes need for irrigation, lack of water.

Lack of fertilizer includes manure and chemical fertilizer.

Marketing includes access to markets, transportation problems.

Other includes lack of land, low yield.

Source: Field Survey 1999

Table 11: Problems Facing Cereal Crop Farming According to Altitudinal Zone

Cereal Crop production	Below 1000m		1000m-1500m		1500m-2000m		All Zones	
	No of Responses	%	No of Responses	%	No of Responses	%	No of Responses	%
Disease and Pests	17	21.5	4	4.6	1	12.5	22	12.6
Technical Knowledge	13	16.5	22	25.3	1	12.5	36	20.7
Irrigation	25	31.6	18	20.7	2	25.0	45	25.9
Lack of Improved Seeds	9	11.4	20	23.0	4	50.0	33	19.0
Lack of Fertilizer	7	8.9	16	18.4			23	13.2
Lack of Pesticides	2	2.5	5	5.7			7	4.0
Marketing	3	3.8	2	2.3			5	2.9
Other	3	3.8					3	1.7
Total	79	100.0	87	100.0	8	100.0	174	100.0

Source: Field Survey, 1999

Table 12: Problems Facing Vegetable Farming According to Altitudinal Zone

Vegetable production	Below 1000m		1000m-1500m		1500m-2000m		All Zones	
	No of Responses	%	No of Responses	%	No of Responses	%	No of Responses	%
Disease and Pests	47	51.1	13	24.5			60	39.2
Technical Knowledge	12	13.0	12	22.6	3	37.5	27	17.6
Irrigation	2	2.2	4	7.5			6	3.9
Lack of Improved Seeds	9	9.8	13	24.5	4	50.0	26	17.0
Lack of Fertilizer	9	9.8	3	5.7	1	12.5	13	8.5
Lack of Pesticides	3	3.3	6	11.3			9	5.9
Marketing	10	10.9	2	3.8			12	7.8
Total	92	100.0	53	100.0	8	100.0	153	100.0

Source: Field Survey 1999

Table 13: Problems Facing Cash Crop Farming According to Altitudinal Zone

Cash crop Production	Below 1000m		1000m-1500m		1500m-2000m		All Zones	
	No of Responses	%	No of Responses	%	No of Responses	%	No of Responses	%
Disease and Pests	9	22.0	3	11.1	3	42.9	15	20.0
Technical Knowledge	6	14.6	5	18.5	2	28.6	13	17.3
Irrigation	10	24.4	4	14.8	1	14.3	15	20.0
Lack of Improved Seeds	2	4.9	3	11.1			5	6.7
Lack of Fertilizer	3	7.3	3	11.1			6	8.0
Lack of Pesticides	1	2.4	3	11.1	1	14.3	5	6.7
Marketing	10	24.4	6	22.2			16	21.3
Total	41	100.0	27	100.0	7	100.0	75	100.0

Source: Field Survey 1999

Table 14: Satisfaction Ranking of Farmers with Extension Programmes

Extension Programme	No of Responses	Avg. Satisfaction Rank
Result demonstration	9	4.8
Method demonstration	9	3.9
Production demonstration	9	4
Farmer's day	13	4.1
Animal fair	8	4.6
Kishan Bhraman	9	3.8
Training	7	3.7
Goods fair	1	4
Total	65	4.1

Note: The scores used for this survey are as follows: 1=Useless, 2=Less Useful, 3=Indifferent, 4=Useful, 5=Very Useful .

Source: Field Survey 1999

Table 15: Four Stages of Transition in Cropping Patterns Envisioned in APP

Stage	Major Activity
Year 1-5	Technological catch-up in the grain crops (through enhanced infrastructure and research). Farmers become confident that they have sufficient food security to extend to cash-crop production.
Year 6-10	Fodder and dairy improvement. Improve diets, productivity, incomes of hill populations.
Year 11-15	Citrus trees planted in preceding stages come into full production.
Year 16-20	Apple production could come into its own.

Source: APROSC and JMA (1996: 217)

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Notes

1. With the exception of wheat, the yield of most agricultural crops during the 1960s was on a downward trend. Any increases in overall production have been attributed to "traditional factors of increased labour force, additional land (brought under cultivation), changes in weather conditions and so on, and not due to any qualitative improvement or any sizeable increase in the magnitude of factors of production (Pant 1973: 173)" (Seddon 1987: 43).
2. During the first four Plans, Nepal was divided into three administrative regions: Eastern, Central, and Western. This was increased to four regions during the Fifth Plan and eventually to the present-day five development region classification utilized today during the Sixth Plan.
3. The four growth axes included the Kosi Growth Axis (Biratnagar to Hedanga), Gandaki Growth Axis (Bairawa to Jomosom), Karnali Growth Axis (Nepalgunj to Jumla), Kathmandu Growth Axis (Birgunj to Dhunche/Barbise). Although there is a fifth growth axis from Dhangari

to Dandeldhura envisioned in the original regional development planning concept, the Fourth Plan focussed upon the four axes mentioned above due to the existence or undergoing construction of roads in the area.

4. This agricultural technology includes a technology system of research and extension.
5. In Nepal, khet (i.e., irrigated or rain-fed rice fields) and pakho (i.e., land where crops other than rice are grown) are the two most commonly cultivated land types. Adhikari (1996) also equates upland with pakho and lowland with khet.
6. Production costs include all cash costs associated with crop production and excludes self supplied inputs and labour. Cash costs include money spent on the purchase of seeds, manure, chemical fertilizers, pesticides, hired labour as well as money used for irrigation, machinery, and storage.
7. Profit = Production value – Production costs. Production value was calculated by multiplying total production by the average yearly market prices for the respective crops.
8. The sample farmers growing dal/beans did not purchase any seeds making the production costs for this crop NRs. 0. If one were to purchase all of the seeds, it would cost approximately NRs. 58 per ropani of land when utilizing an average seedling rate of 1.8kg/ropani. Most farmers, however, produce dal/beans for their own consumption as it is one of the staple foods of the Nepalese diet.
9. Kishan Brahman is a programme which brings farmers to show the types of farming being conducted in other regions.
10. In the Himalchal Pradesh, a particular focus was placed on the growing of apples. The success that this region has had in commercializing agriculture is the underlying reason for following a single lead commodity strategy.
11. These crops include citrus, apples, vegetable and vegetable seeds, cardamom, ginger, tea, coffee, and sericulture.

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ARAB KO LAHURE: LOOKING AT NEPALI LABOUR MIGRANTS TO ARABIAN COUNTRIES

**Elvira Graner
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The Nepali economy was, until not so long ago, generally perceived to be predominantly agrarian. Yet, this preoccupation with agriculture misses out on quite a number of crucial characteristics of the Nepali national and household economies. At the micro-level it is totally blind towards diversifications of household employment and income patterns in search for a “livelihood”. Particularly in joint households, some members of the household may work in agriculture whereas others may (additionally) perform other types of work, both locally and at other locations. The latter type involves substantial movements of the labour force across the country and its borders. This also implies quite significant amounts of remittances which are crucial not only for household economies but also for the national economy, as pointed out in a study undertaken by Seddon and his Nepali colleagues Adhikari and Gurung (1998, 2002). During the political unrests and economic recession of 2001/02 it was probably the only sector which remained unaffected, and Shakyia even claims that the remittance economy has “largely unnoticed, propped up the country” (Shakyia 2002: 188).

This article is a further contribution to analysing patterns of labour migration. It includes work and previous analyses done by both of the authors in collaboration with others (Seddon, Adhikari and Gurung 1998, 2001, 2002; Gurung 2003, Graner 2001, 2003, Graner and Karmacharya 2001). Secondary data related to migration is taken from the Population Census 2001 as well as from the Nepal Living Standard Survey (NLSS) 1996/97. The paper also includes a detailed analysis based on the original data base of the NLSS, as well as a reassessment of the “guestimations” made by Seddon et al. based on these findings. For understanding the dynamics of labour

migration, particularly to the Gulf countries, a look into institutional frameworks is of importance, as laid down in the Foreign Employment Act and the respective Rules and Regulations. In addition, this article also introduces some empirical data collected jointly by the two authors. These data are based on a sample survey of migrant labourers collected from manpower (recruiting) agencies. It looks into demographic (gender and age), educational, regional (district of origin) as well as work-related (destination, type of work, incomes) aspects of migrants leaving for the Gulf countries, which have rapidly evolved as a major destination for labour migrants within the last few years.

Labour Migration – acknowledging the role of remittances

Until today households are usually classified according to the occupation of the household head. This is fairly conservative in terms of considering employment structures of the parent generation rather than those of the younger one. Thus, this classification is comparatively blind towards, or at least slow in capturing current changes. Classifications also face the difficulty that the numbers of persons engaged in one particular field and incomes from different household members may differ significantly. For instance, a household may have four or even more members engaged in agriculture and one employed elsewhere, as for example a migrant in one of the gulf countries, with his income by far exceeding those accumulated by all other household members put together – is that an agricultural household? These methodological difficulties to weigh the importance of incomes against the distribution of employment need to be kept in mind when classifying “agricultural” households’ (incomes).

A further point of interest is the lack of educational attainments (for details see Graner 1998). Thus, wage labour is often carried out in “less attractive” labour markets, both locally, regionally or at foreign destinations. As those in search for work usually outnumber employment opportunities, conditions on labour markets are usually not particularly favourable for the workers (see Graner 2001, 2003). As a result, a significant and above all increasing proportion of those engaged in wage labour perform their work at a place distant from home. The sector has grown rapidly, yet most data are either “lacking or inadequate” (CARAM/ASIA et al. 2000, 110). Thus, in spite of its relevance, the topic of labour migration has until recently received fairly little attention in Nepal. This “blindness” towards actual dimensions of

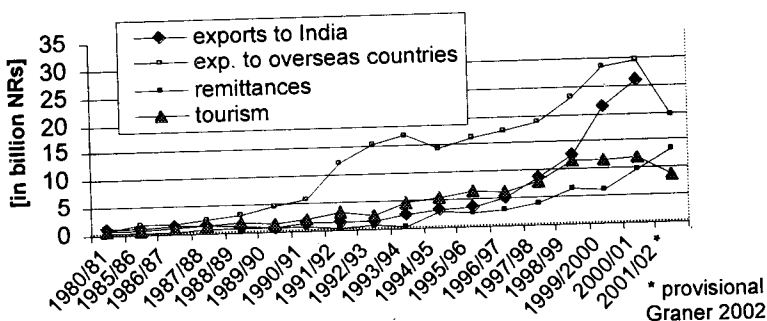
labour migration is well documented in the Nepal Human Development Report, where the authors quote grossly underestimated figures of 12,000 labour migrants (NESAC/UNDP 1998: 104). This lack of information even in a report which is a most well-informed and substantial source for many other topics is characteristic for the general tendency to miss out on quite an important and salient feature of the Nepali economy.

Addressing this lack of recognition, Dixit even complained about "an official and scholarly apathy on the subject" (Dixit 1997: 10). At the same time, he characterises labour migration as equivalent to an "economy of desperation", a national embarrassment, and a "volume of misery" (ibid.: 10). Similarly sceptical notions are prevalent in Khadka's "Passport to Misery" (1998). Interestingly, labour migration was already mentioned as a matter of concern in a study by a British (forest) official, engaged during the late 1920s in designing a new forest policy for Nepal. There, he pointed out the urgent need of intensification of agriculture, which also was "to lessen or completely stop the contemporary drain of the country's menhood to India" (Collier 1928 : 252; quoted in Graner 1997: 36/37). Yet, in spite of this aloofness from the side of Kathmandu based (upper) middle class publicists, labour migration is a crucial component of household economies for many of their less fortunate and less-endowed countrymen.

The topic gained a much wider public interest when Seddon together with his Nepalese colleagues Adhikari and Gurung published the findings of their studies on international migration and remittances, pointing out to the inadequate understanding but also the predominant role of the "remittance economy" (Seddon et al. 1998, 2001, 2002; Adhikari 1999; Gurung 2003). Based on assessments with key informants the authors "guestimated" annual remittances to account for about 35-69 billion Rupees annually (for 1997/98), equivalent to about 13-25 % of the GDP (ibid. 1998: 4/6). Remittances originate mainly from East and South East Asian countries (23 billion), and India (6 to 40 billion), with some less important countries as Great Britain (about 4.4 billion) and the gulf countries (1.5 billion, see Figure 6). Assessments by Dahal in his HIMAL-article on "Remittance bonanza" are similarly high, stating that annual remittances from India amount to about 40 billion, and an additional 35 billion from other countries, thus "accounting for higher foreign currency earnings than "exports, tourism, and foreign aid put together" (Dahal 2000: 42). These figures have been confirmed unofficially by NRB personell, who nevertheless backed out when asked to officially acknowledge the figures. Yet, there is evidence for this figure.

On the other hand, these figures by far exceed the ones usually stated in government sources, as the Nepal Rastra Bank (NRB 2002) or Nepal Living Standard Survey (NLSS). The latter assesses that in 1995/96 annual remittances accounted for about NRs 16 million from their 3,375 sample households), and thus about NRs 16 billion when extrapolated (see Graner and Karmacharya 2001: 176). Yet, even when based on “official” numbers, private remittances alone have increased from 3 - 5 billion to more than NRs 10 billion, and to more than 6.6 billion within the first six months of the 2001/02 fiscal year (NRB 2002, 62; see Figure 1). Yet this leaves a substantial lag which is difficult to explain.

**Figure 1: Foreign Currency Earnings in Nepal
(based on Nepal Rastra Bank 2002)**



Migration and Remittances - from global warriors to global workers

The history of labour migration dates back at least to the beginnings of the early 19th century and is closely linked to British imperial politics (Shrestha 1985, 298ff; see also Seddon et al. 2001, Das Chene 1993). Recruitment of so-called “Gurkha”-soldiers into the (British) Indian army was institutionalised in 1816 after Nepal had lost the war with British India. Prior to that, some of the defeated soldiers had sought employment in the army of the Sikh ruler Ranjit Singh in Lahore “rather than facing humiliation at home” (Dahal 2000: 42). This tradition, until today is reflected in the name “lahure” for soldiers, and, characteristically, Seddon, Adhikari and Gurung have chosen this synonym as the title for their recent publication about international labour migration, “The New Lahures” (ibid. 2001). This labour market, with its various off-springs (particularly Hong Kong and Great Britain), has remained of importance until today, and when Yamanaka speaks

about “global” migration of Nepalis, she encapsulates it “from global warriors to global workers” (Yamanaka 2000), a term which was adopted as a sub-title for this chapter.

Labour migration today is characterised by a few crucial features (see Box 1). One is the important role of India as a destination. Due to its physical proximity and treaty provision, labour markets in India are comparatively easily accessible. Thus, international migration has, similar to international trade, for quite some time been predominantly an “affair” between Nepal and India. Numbers of migrants to India are generally assessed at about one million (Dixit 1997; Seddon et al. 1998), but some sources even estimate the number at 3 million (Dahal 2000: 42). Seddon et al. mention that workers in the public sector alone account for about 250,000, estimating the total number at about 1 million (see Figure 2). Based on recent Population Census (2001) figures there are 589,050 persons living and/or working in India (see Figure 3). Secondly, migration to Japan is an important issue. Yet, in contradistinction to India, its importance is not due to the total number of migrants but because it is one of the most attractive labour markets with comparatively high incomes and thus high remittances. Thus, Yamanaka quotes one of her informants stating that Japan is “migrants heaven” (ibid. 2000: 85). After Japan tightened its immigration policy during 1990 some “undocumented workers” have even been sent back (ibid.).

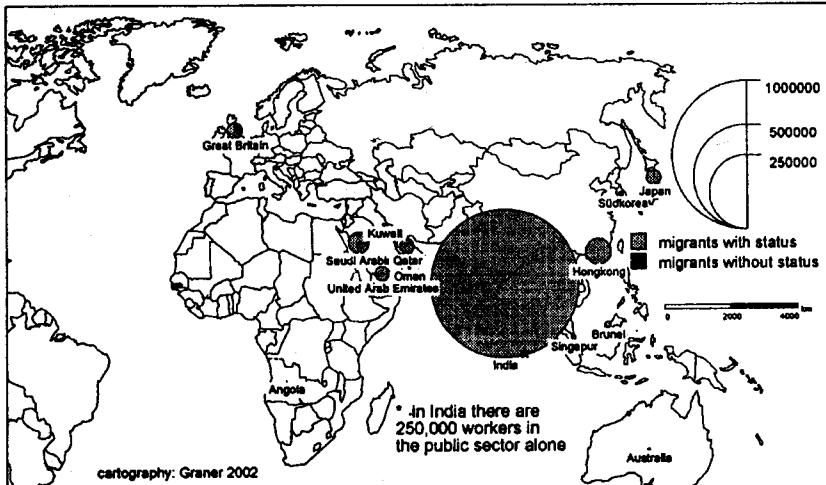
Thirdly, the gulf countries have become one of the prime destinations since the mid-1990s and certainly one of the most dynamic ones (see below). This is reflected in (unpublished) records available at the Dept. of Labour, which document that numbers of officially registered artment workers increased from 200 - 2,200 during the early 1990s to nearly 6,500 in 1997/98, and to nearly 20,000 by 1999/2000 (see also Graner and Karmacharya 2001, 167ff). Among these, migration to Saudi Arabia plays a crucial role, where 67-74 % of all labour permits are issued for. In addition to these officially registered labour migrants, unofficial sources speak about annually 100,000 migrants. Poudel in 2003 even mentions 400,000 persons working in gulf and Eastern Asian countries (Poudel 2003: 18). These numbers are supported by estimations from the “Foreign Labour Inquiry Commission” set up in 1997 (Adhikari 1999: 4). The currently published Population Census of 2001 confirms that more than 100,000 have been working in the gulf countries in 2001 (see Figure 3), reflecting the high priority in government policies (see below).

Other, less important destinations are Europe/United States and (South) East Asia, where based on Seddon et al. there are about 15,000 and 13,000 migrants, respectively. In Europe, the majority of the workers are based in Great Britain, about three quarters of them “without status”, and in East Asia most of them are in Hong Kong (see Figure 2). Based on data from the Population Census 2001 slightly more persons (about 21,000) are living/working in Western countries, whereas in (South) East Asia there are only about 18,600 persons (see Figures 2 and 3).

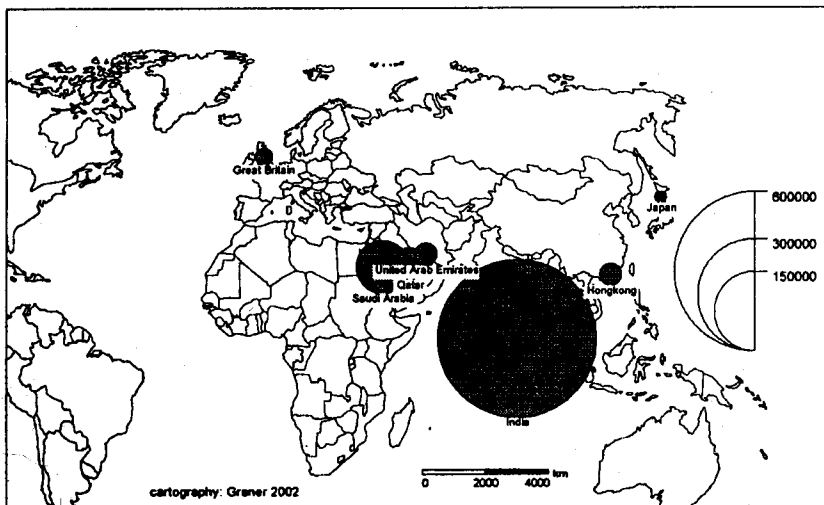
BOX 1 Crucial aspects of labour migration from Nepal

- labour migration to India is a predominant feature, both in terms of its long history as well as in terms of numbers of migrants involved (600,000 to 3 million); on the other hand, remittances usually account for low values, as is apparent from the NLSS data base (see Table A1, appendix)
- migration to Japan is an important issue, less in terms of total numbers but because it is considered to be one of the most attractive labour markets with comparatively high incomes and thus high remittances
- migration to Hong Kong is important in terms of numbers of people involved as well as values of remittances; in contradistinction to other (South) East Asian destinations, migration is based on legal provisions (ID holders), at least for those whose parents were based in Hong Kong under British governance
- the gulf countries have become one of the prime destinations since the mid 1990s and certainly one of the most dynamic ones; numbers have increased from (officially) a few hundred migrants in the early 1990s to more than 20,000 by 2002, and the Population Census 2001 documents more than 100,000 workers; manpower (recruiting) agencies have played a crucial role in arranging and “negotiating” work permits
- internal labour migration is important in terms of number of cases and numbers of remittances, but much less when considering values of remittances; within the country, the Kathmandu valley is the largest single labour market, and remittances exceed those from all other urban areas put together

**Figure 2: Estimated labour migration from Nepal in 1997
(based on Seddon & al. 1999)**



**Figure 3: Estimated labour migrants from Nepal for 2001
(based on Population Census 2001)**



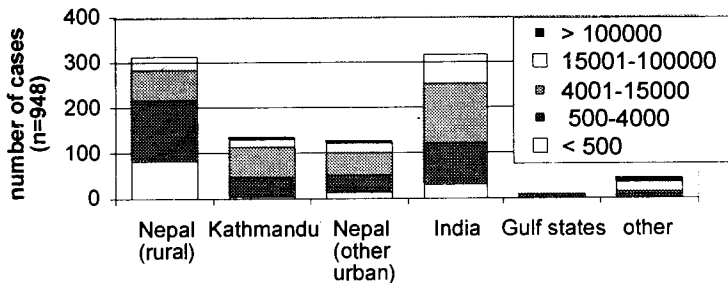
Nepal's Remittance Economy - (re-)assessing the scale

The Nepal Living Standard Survey (NLSS for 1995/96), published in two volumes, provides one of the most detailed national sources on household incomes and remittances for the 1990s (HMG/ NPC/ CBS 1996, 1997a). Even more valuably, the original data base is also available (NLSS 1997b; see also Graner and Karmacharya 2001). It specifies the sources and values, such as the number of remittances received, types of work, regional origin, relation of donor and recipient. The NLSS documents that 760 of the 3,373 households (23 %) receive a total number of 948 cases of remittances from at least one source during the year preceeding the survey (ibid. 1997, 63). The number of remittances is slightly ambiguous, as this includes both, remittances from different family members as well as remittances from one single person to different family members (see Graner and Karmacharya 2001, 177). Among these remittances, the NLSS documents several crucial characteristics of labour migration and remittances (see also Box 1, above). First of all, there are high disparities between numbers and values of remittances from different places of origin. Thus, it is crucial to clearly distinguish whether analyses are based upon numbers or values (see Figures 4 and 5).

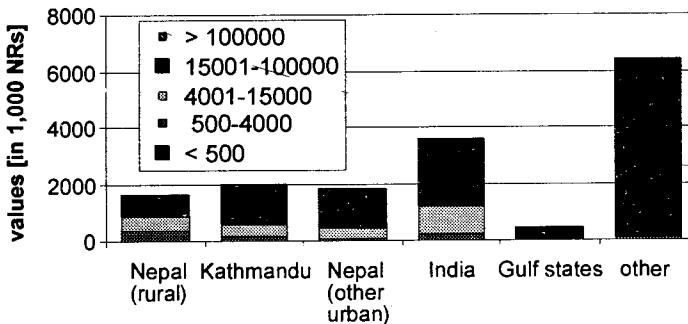
Secondly, India is the most important place of origin, particularly in terms of numbers of remittances but also for values, although the latter is much less pronounced. Thirdly, remittances from foreign countries other than India account for only a negligible number of cases (58) but their total values account for almost half of the total values of remittances (6.839 million NRs) and thus exceed the values of all internal remittances put together (6.409 million NRs from 571 cases), indicating their predominant role (see Table A2, appendix). Fourthly, the high number of cases of remittances from within the country shows the importance of internal migration, at least in terms of cases of remittances, as 60.2 % (32.8 plus 27.4 %) derive from within the country (see Figure 4). A more detailed analysis of the original data base shows that values of remittances are particularly low from rural areas within Nepal, where 26 % are below NRs 500 annually and a further 43 % below NRs 4,000. On the other hand, remittances from Kathmandu exceed the ones from rural areas and are significantly higher (see Figures 4 and 5), similar to remittances originating from India or from other foreign countries (above NR 15,000). Thus, more than half of all remittances from urban areas within Nepal derive from Kathmandu, indicating the predominant role of the capital city as a

destination for labour migration (see also Graner and Karmacharya 2001: 174). Whereas internal remittances are important in terms of volumes, it is crucial to note that their contribution in terms of monetary values is far less pronounced (34 %).

**Figure 4: Remittances from various regions
(based on NLSS for 1996)**



**Figure 5: Values of remittances from various regions
(based on NLSS for 1996)**



Among all regions of origin average annual remittances (NRs 5,000 – 136,000) are significantly higher than median values (NRs 1,500 – 25,000; see Table A2, appendix), with average values up to 6-times higher than median values. This is a strong indicator for high disparities among single values of remittances, which increase along with overall values. Thus, comparatively high disparities exist for remittances originating from foreign countries other than India, whereas they are much lower for rural areas of Nepal and India.

The NLSS data base documents that there were only 11 cases of migration to gulf countries included in the sample, but nevertheless the

NLSS-“designers”, luckily, deemed these countries important enough to classify them as a separate category. Based on the NLSS data base, average values were NRs 38,665 (see Table A2, appendix), yet median values only reached NRs 2,000. These extremely high disparities (19fold) can be explained by the fact that migration to these destinations was only a fairly recent phenomenon in 1995/96 and only a few migrants had already started remitting. A more detailed analysis of the original data base shows that most cases (7) were simply remittances in-kind, ranging from NRs 500 to 3,000, whereas actual cash remittances ranged from a minimum of NRs 60,000 to 180,000. Thus, average annual remittances from these countries can quite reasonably be assessed at NRs 100,000.

Remittances from the gulf countries are assessed at about NRs 1.5 billion by Seddon et al. (2001: 52/53), assuming that each of the 41,000 workers remits about NRs 36,000 per year. However, this is the only estimation where the authors “undercut” NLSS-data, probably due to lack of evidence from the NLSS-publications, which do not clearly specify gulf countries as a region of origin of remittances. Applying the findings from the analysis of the data base to the estimations done by Seddon, this may well increase their estimation of remittances to NRs 3-4 billion. As towards the turn of the century numbers of migrants have increased substantially, increases in remittances have occurred likewise. When assuming a total labour force of 150,000 persons and if 120,000 among those remit annual average amounts of NRs 100,000 (two assumptions which are quite reasonable) then by 2000 remittances from the gulf countries are likely to account for NRs 12 billion, or even NRs 15 billion (assuming 150,000 persons remitting), ie. almost 10fold of the 1997-assessments made by Seddon et al.

For India, the data base about the number of migrants is fairly vague. Thus, it is easily understandable that assessments about values of remittances from India are extremely difficult. The NLSS-data documents 319 cases of remittances from India, which accumulate to NRs 3.5 million. Assuming a representative sample (one per mille), total remittances account for about NRs 3.5 billion. Remittances from India have a few crucial features. One is that remittances are predominantly from urban areas, as is indicated by the number of cases (77 %) and even more pronounced by the share of values of remittances (87 %). Secondly, remittances from India are characterised by a comparatively low value, particularly the ones originating from rural areas, which at NRs 6,586 are only slightly higher than remittances from rural areas in Nepal (NRs 5,207, see Table A2, appendix). As most remittances (60 %)

amount to less than NRs 4,000 median values are significantly lower, at NRs 2,000 (see Graner and Karmacharya 2001). In rural areas of India, similar to rural areas in Nepal, wage labour in agriculture is important, and accounts for 32 of 72 cases of remittances. In urban areas the role of employment in the Indian army (classified as *military, army, or sainik*) is less important today (23 cases, 7 %), whereas the occupation as watchmen (*chaukidar*) is the single largest group of occupation (37 cases, 12 %).

For India, Seddon, Adhikari and Gurung have estimated that remittances from registered employees amount to about NRs 6 billion, based on the assumption that 250,000 workers in the public sector remit an average of NRs 24,000 annually (ibid. 2001, 52/53), which certainly is a reasonable estimate. At the same time they argue that when considering the share of remittances from India as documented by NLSS-data, remittances “would be closer to NRs 40 billion” (ibid., 50). Yet, this “guestimation” still needs confirmation. If so, then one million employees need to remit about 34 billion among them, ie. an annual average of NRs 34,000 per person. On this figure the two authors disagree. A point against it is the fact that this estimation does not consider the significant disparities between average and median values which have been apparent from analysing the NLSS data base. When correct, the NLSS indicates that remittances are likely to be (substantially) below NRs 10,000 /person for at least 500,000 labour migrants in India, thus accounting for no more than NRs 5 billion. Higher income groups may be in a position to remit NRs 25,000 or more. Yet, among them, many live with their families, and thus remit only a small proportion of their incomes. These differences in assessing total values of remittances are pronounced and difficult to explain. Besides the risk of (gross) understatements from the households included in the NLSS-sample there is also the danger of misrepresentation of the sample-households. On the other hand, even official data document significant increases even during this comparatively short two-years period (see Figure 1, above).

Policies Regarding Foreign Employment

For international migration, government policies, as well as institutions and legislation pertaining to foreign migration, are crucial aspects. While access to Indian labour markets is regulated rather informally, matters concerning employment of Nepalese citizens in other foreign countries are

Figure 6: Estimated remittances to Nepal in 1997
(based on Seddon et al. 1999)

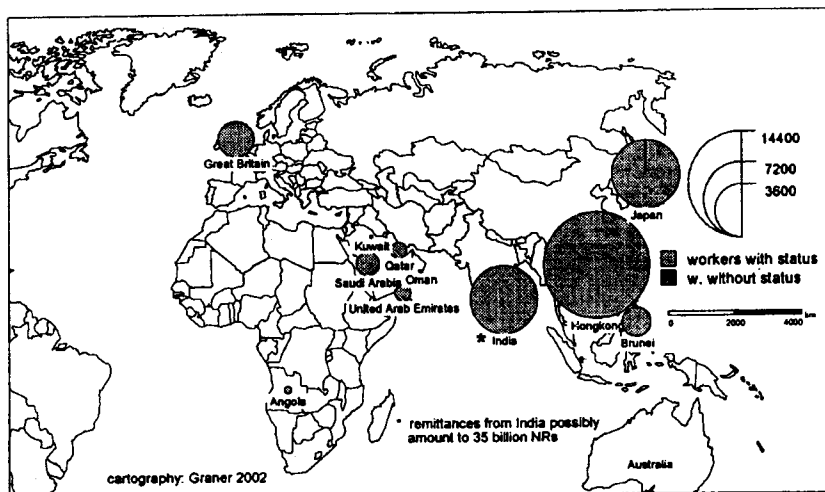
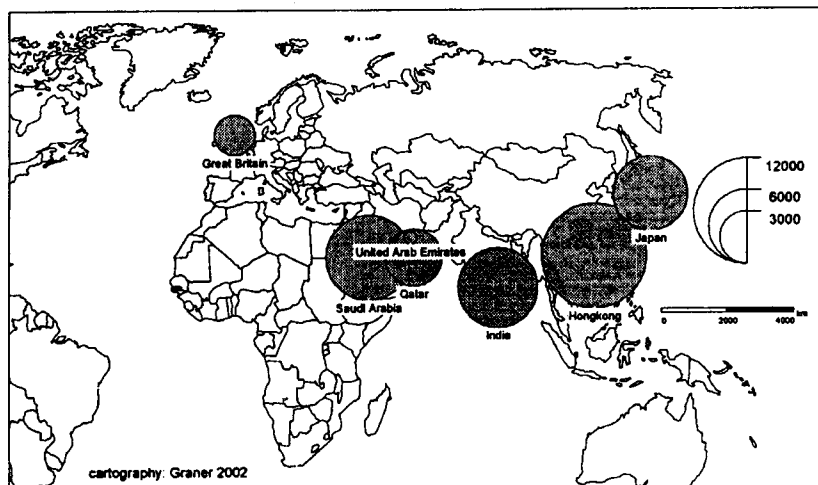


Figure 7: (Re-) Assessment of remittances to Nepal for 2000
(Graner & Gurung 2003)



regulated rather strictly by the so-called "Foreign Employment Act" which dates back to 1985 (2042 B.S.), with so-far two amendments, in 1989 and 1998 (HMG/ML&J 1985). The Act bans recruitment of Nepalese without government permission and is generally considered to control rather than to facilitate Nepalese citizens who wish to take up foreign employment (CARAM/ASIA et al. 2000: 115ff). This aspect is clearly accentuated in the act's preamble which states that it is "desirable to control and organise foreign employment" (HMG/ ML&J 1985: i). The Act regulates foreign employment via manpower agencies (see below) and explicitly prohibits "to operate foreign employment business without licensing" (ibid.: § 3).

Interestingly, the Regulations which according to Nepalese law generally need to specify details pertaining to any act have only been drafted with a substantial time lag in 1999, and this lack of specification was considered critical (ibid.). On the other hand, this "late"-coming made it possible that the rules reflect a new understanding of the role of foreign employment for the national economy, where the government's role is rather to "maximise benefits and minimise risks" (CARAM/ASIA et al. 2000: 110). Manpower (recruiting) agencies could decisively contribute to designing the regulations.

These changes are also reflected in HMG's Ninth Plan, much clearer than in the Eighth Plan. In a chapter focussing on "Poverty Alleviation and Employment Promotion" (HMG/NPC 1998: 211ff) it is listed as the forth of six objectives of the current plan "to emphasise on the development of competitive capability of the manpower for foreign employment" (ibid.: 214). In addition, the Implementation Strategy of the following chapter specifies that "institutional arrangement will be made in order to make foreign employment opportunities simply and well-managed for the Nepalese labour force" (ibid.: 215). Yet, irrespective of this political declaration of intent, implementation lagged far behind. At the institutional level, the respective department was staffed with five members who were in charge of (and swamped with) handling the rapidly increasing numbers of applicants (Khadka 1998).

In addition, Kathmandu hosts only a few embassies of countries open to labour migration for Nepali workers, particularly none of any of the gulf countries, and thus visas usually have to be arranged via a third country, such as India or Bangladesh. Yet, there has been anecdotal evidence that in some cases these passports "disappear" and are (mis-)appropriated from other nationals who then take up the respective jobs (Khadka 1998: 18). Similarly, institutional support from Nepali embassies in the respective countries only

exists in Saudi Arabia, which is in charge of handling all affairs occurring in any of the gulf countries. This latter issue was addressed by Prime Minister G.P. Koirala during a visit in Qatar in September 1998, when negotiating the setting up of a new embassy (Khadka 1998: 17ff), yet so far there have been no further actions. Similarly, Krishna, while Prime Minister in 1998 announced to appoint labour attaches for countries with more than 5,000 Nepal migrants who could then look after the interests and welfare of the workers, a matter which was even institutionalised in the Rules. Yet again, by September 2000 (an still by May 2003) no such appointment has been made (CARAM/ ASIA et al. 2000: 114). In the same year, the minister of finance presented in his budget speech a scheme which was to create foreign employment opportunities to 200 persons from each of the 205 constituencies, resulting in about 41,000 opportunities, which also, at least so far, has not been implemented.

Based on the Act as well as on the Regulations, the facilitation and mediation between persons willing to take up foreign employment on the one hand, and foreign employers willing to employ Nepali workers and government bodies (Ministry of Labour) on the other hand was placed in the hands of manpower agencies. These enterprises need to recruit the labourers and arrange for the registration of each single case at the Department of Labour (see Box 2 § 9-12). In order to obtain a license manpower agencies need to register at the Ministry of Labour (§ 3) via its Department of Labour which was set up in 1971. In order to be eligible for the renewal, manpower agencies need to arrange for a minimum of 50 work contracts annually and must not violate any government rules and regulations (HMG/ML 1999). They also need to maintain proper records about all employees sent abroad (§ 16) and they currently need to submit an annual report about their activities within 35 days after the expiry of each fiscal year (§ 16A). By the year 2000, about 180 manpower agencies had registered, yet about 40 of those had been closed due to fraud.

Box 2 Foreign Employment Act 1985 [2042 B.S.] (selected issues)

- § 3 no one shall be allowed to engage in foreign employment business without obtaining a license
- § 4 HMG shall specify the countries for which foreign employment business may be operated by notification in Nepal Rajpatra
- § 9 a licensee must obtain the prior approval of HMG in order to select employees for foreign employment [...]
- § 9/2 HMG shall not grant approval for the selection of employees a) in case the person demanded by the employer-institution is required for the economic development of Nepal; b) in case the proposed foreign employment is not regular under the laws of the concerned nation; [...] d) in case the proposed foreign employment is such as to adversely affect the prestige, dignity, or health of employees.
- § 10 After receiving the approval of HMG [...] the licensee must publish an advertisement in a national-level newspaper inviting applications for the selection of employees for foreign employment
- § 10/A The licensee must prepare a list of qualified persons who have applied [...] in response to the advertisement
- § 11 1) The licensee must select employees on the basis of the prescribed criteria: 2) the licensee must include a representative of HMG as well as a representative of the employer-institution, if the latter so describes; 3) the particulars of the selection [...] must be submitted to the department [of Labour] within seven days; 4) the employee [...] must be sent for foreign employment within four months from the date of the selection [...]; 5) in case the concerned institution is unable to send the selected employee [...] within the time-limit [...] it shall refund [...] the amount obtained from him
- § 12 notwithstanding anything contained elsewhere in this act, the licensee may not make available foreign employment to minors and women
- § 13 a licensee may obtain service charge for having provided foreign employment
- § 15 [...] the licensee must supply the employee [...] information about the geographical situation, culture, labour laws, and economic, social, and political conditions of the concerned country, as well as about the nature of the work to be done by him.

For registering, man power agencies need to deposit an initial surety of NRs 500,000, proof deposit of further NRs 2.6 million as capital investment, and pay an annual fee of NRs 10,000 at time of renewal of licence. In 1992 a large group of entrepreneurs (107) formed the Nepal Association of Foreign Employment Agencies (NAFEA; presently Nepal Association of United Foreign Employment Agencies- NAUFEA) which was instrumental in voicing its concern about the lack of Regulations, and in pushing forward the issue and designing them. NAFEA also plays a crucial role in representing the interests of the entrepreneurs as well as the workers in a wider regional framework, such as at the "Regional Summit on the pre-departure, post-arrival, and reintegration programs for migrant workers" in Genting/Malaysia in September 2000 (CARAM/ASIA et al. 2000). Yet, facilitation between the different agents and agencies is not always easy, particularly with government as one "partner". Thus, there are cases when work permits are short-circuited, which to some extent is in accordance with the new "spirit" of government policies yet not directly in lieu with the existing legislative framework.

The Gulf region - prime destination ?

Whereas the "labour market" of joining the (British) Indian army has quite some history, migration to the Gulf countries is one of the most recent and certainly also one of the most dynamic phenomena. Migration from South Asian countries to these "oil economies" is documented for 1976 onwards, when migrants from Pakistan, Bangladesh, and India accounted for about the same number (50,000) as migrants from South East Asia, particularly from South Korea. By 1986 the number of South Asians had increased to 200,000 and India accounted for about half, whereas numbers from Pakistan, which initially had accounted for 4/5th had hardly increased (Gardezi 1997, 114ff). Yet, while there is a vast body of studies about migration from various South Asian countries to the gulf countries, workers from Nepal are not mentioned in any of these, neither in earlier ones (Amjad 1989, Gunatilleke 1991, Abella 1992, Shah 1995) nor in more recent compilations (Gardezi 1997, Appleyard 1998, Shah 1998). One of the reasons is the small size of Nepal's population, particularly in comparison to India and Pakistan, another one is that workers from Nepal have only recently "joined" this labour market.

Due to the high priority in government policy, even official numbers of migrants leaving for one of the gulf countries increased almost 10fold within

the five-year period 1996-2000, from about 1,400 to about 13,900, accounting for 58-78 % of all (official) labour migrants, and thus it exceeds labour migrations to any other country. Government policies are also quite favourable from the side of the “receiving” countries, and Dahal states that by 2000 Qatar was almost exclusively “importing” manpower from Nepal (Dahal 2000: 43). Seddon and his colleagues estimated the number of labour migrants to the gulf countries at about 40,000 for 1997, which they more recently up-dated to about 90,000 – 100,000 for the late 1990s (ibid. 2001: 49). Khadka puts the number of migrants at 40,000 for Qatar alone (Khadka, 1998: 18) and Dahal quotes a source from the Labour Ministry saying that the number of migrants to this destination crossed 200,000 by 2000 (ibid. 2000: 42; see also SPOTLIGHT 1998). Poudel even mentions a figure of 400,000 for the gulf and eastern Asian countries (Poudel 2003: 58). Among the different states, Saudi Arabia is the prime destination, accounting for about half of all migrants. A small sample survey (see below) has confirmed this dominant role (see Table 1) but also shows that by 2000 Qatar has also become of increasing importance.

Table 1: Estimations of numbers of migrants (different sources)

Region of destination	estimated number of workers for 1997 (1)		estimated number of workers for 2000 (2)			estimated number of workers for 2001 (5)	
	total no.	pc.	pc. (2)	no. (3)	no. (4)	total no.	pc.
Saudi Arabia	20,000	48.8	60.7	60,700	91,000	67,460	60.9
Qatar	10,000	24.4	35.0	35,000	52,400	24,397	22.0
United Arab. Emirates	10,000	24.4	2.6	2,600	3,600	12,544	11.3
Dubai	n.a.	n.a.	1.9	1,900	2,900	n.a.	n.a.
Other Gulf countries	1,000	2.4	n.a.	n.a.	n.a.	6,425	5.8
All Gulf countries	41,000	100	100	100,000	150,000	110,824	100

Sources:

- 1) Seddon et al. (2001: 51);
- 2) sample survey undertaken by Graner and Gurung for 2000;
- 3) applying (2) for an estimated number of 100,000 migrants;
- 4) applying (2) for 150,000 migrants;
- 5) Population Census 2001.

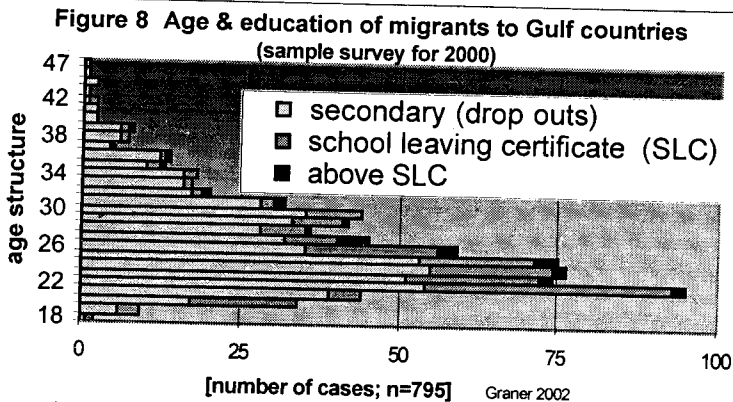
Migration to the Gulf countries is almost exclusively arranged through manpower agencies (see above), which is certainly one of the most booming sectors of the Nepalese economy since the mid 1990s. Rates for working permits, visa, and transfers range from 40,000 to NRs 80,000 for a two to three years work contract (see Seddon et al. 2001: 67ff). With these sums involved, fraud is predestined and there is plenty of anecdotal evidence (see CARAM/ ASIA 2000: 112). In addition, there are quite a number of horror-stories even from those who reached their destinations, particularly from these states and particularly about women migrants. In a few extreme cases women have been brought back to Nepal semi-consciously or even unconsciously, after NGOs, as such as Maiti Nepal had interfered (see SPOTLIGHT 1998). Thus, articles as "Passport to Misery", "The Woes In Foreign Employment", (SPOTLIGHT 1998) or "Lowly Labour in the Lowlands" (Dixit 1997) regularly question the "success"-stories which the migrants experience and rather point out to numerous facets of human miseries which usually remain untold, partly due to lack of institutional "back-up". On the other hand, migration to the gulf certainly is a success story when taking into account the remittances from there (see above).

In spite of the crucial importance of labour migration to the gulf countries there are, at least so far, hardly any studies which have taken up this issue. This article introduces a brief sample survey which was carried out by the two authors in November 2001, based on a sample of 995 workers taking up foreign employment via a particular manpower agency. Among these, the gulf countries were the prime destination (87%; for details see Table A1, appendix) whereas the others (125 cases, 13%) went to Malaysia. The sample survey was based on records, and focuses on demographic features of the labour migrants, namely age, gender, marriage status, as well as education, district of origin and country of destination. Information about labour migration is based on type of work, as specified in the work contracts, as well as wages. In addition, this article also includes some empirical findings from a village survey in Jhapa district (1999/2001), focussing on interlinkages between internal migration to carpet manufacturies and international migration (see Graner 2001, 2003), as quite a number of the men who had previously been engaged as carpet workers are now employed in gulf countries (see below).

The sample survey shows that for those migrants which listed demographic details (n=795) all are men, and mainly from the age group 21-30 (74 %). Most of them are between 21 and 25 (47 %; see Figure 8), and

while those aged between 18 and 22 are usually unmarried, most men above 24 are married. Information on education reveals that most of the men are secondary drop outs (71%), although almost all of them (except for 11 cases) have completed at least class 7. Some of them (16% of all) have completed class 10 but have failed the final SLC-exam (school leaving certificate). Yet, SLC-holders account for 30% of all migrants and 3% of these have degrees above SLC (see Figures 8 and 9).

In terms of regional origin, most migrants included in the sample come from either the western (37%) or Eastern Development Region (34 %), which thus account for more than 70% of all migrants. An astonishingly small number comes from the central region (13%), and the latter are mainly from the Kathmandu valley (4%). Similarly, but much less of a surprise, migrants from the mid and far western region are hardly represented, and only account for 2% of all migrants (see Figures 9 and 10). The three single largest districts of origin are Jhapa in the eastern Terai (8.5%), and Syangja (6%) and Kaski in the western hills (5%). The low number of migrants from the Central region, and particularly from Kathmandu is difficult to interpret. One possible explanation is that there are specific networks between people from one region and different manpower agencies, for instance due to the fact that persons from the management are from the same district of origin. This could possibly also explain the lack of migrants from the Mid/Far Western Regions, although their low number is too pronounced to be solely due to this reason. As manpower agencies can only operate through their offices in Kathmandu, this explanation is less powerful.



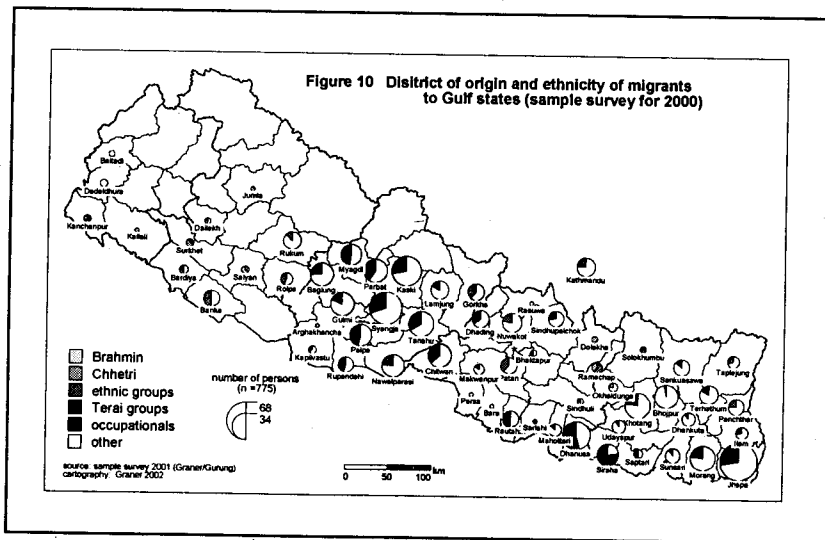
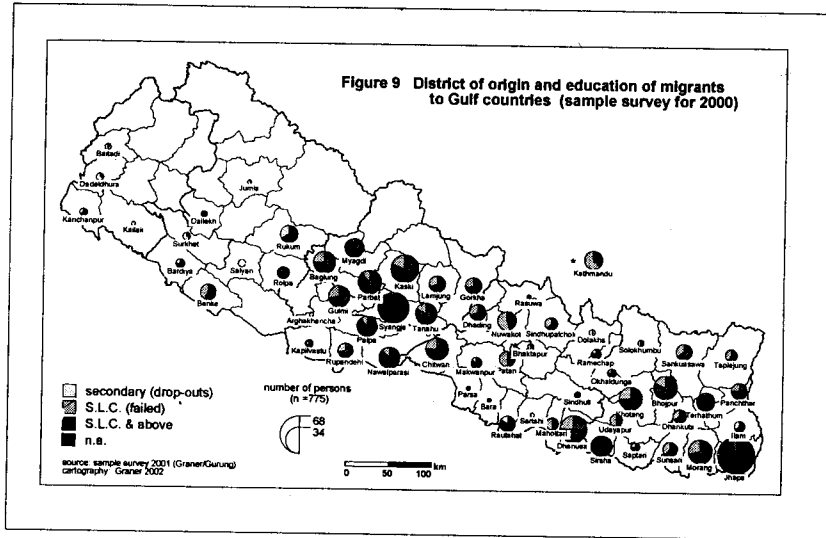
An analysis of interlinkages between district of origin and country of migration does not produce a clear pattern, but this may be due to the limited size of sample, once further disaggregated. A much clearer pattern can be seen for educational attainments of people from different districts and this aspect may explain migration patterns in terms of pre-qualifications for job demands at the particular country of destination. From many districts, secondary drop-outs (ie. those who have not successfully completed their SLC-exam after class 10) account for 60-85 % of all migrants. There are only a few exceptions to this pattern, particularly Kathmandu, Patan, and Nuwakot but also Jhapa and Morang which both have an extraordinarily large share of migrants with high educational levels (see Figure 9).

Information about caste and ethnicity is only analysed for a sub-sample (n=720). Yet, there are some interesting patterns. Migrants reflect the ethnic mosaic of Nepal, yet, there are some groups which are represented much stronger than others. The largest single groups of migrants are Brahmin (21%) and Chhetri (23%). Among ethnic groups, Magar account for almost 9%, Rai and Newar for 7% each, and Gurung and Tamang for 6% each. Groups from the Terai (Chaudhary, Sunar) also account for 7% when accumulated. Occupational castes are highly under-represented and only account for 7%. Ethnic groups come from (hill) districts of the Western Region but even more pronouncedly from hill districts of the Eastern Region, mainly Bhojpur and Khotang. A high number of Brahmin and less so Chhetri come from Syangja and particularly from Kaski, but also from Jhapa district (see Figure 10). Migrants from Terai groups almost exclusively come from Dhanusa and are grossly underrepresented in most Terai districts.

Migrants take up quite a variety of occupations, some in construction (painters, 30 cases), some in catering, such as waiters (110 cases) or "juice makers" (68 cases), and some also as skilled workers in engineering (7 cases). Yet, the latter sector is clearly of minor importance and the majority is classified as labourers/workers (370 cases). Thus, while Dahal states that "the profile of workers has changed" (ibid. 1998: 42) this is only partly consistent with findings from the sample survey. Wage differentials are not particularly pronounced in most countries and occur for different types of work but also for different countries. In Qatar, almost all migrants earn the equivalent of NRs 11-13,000 per/month whereas in UEA salaries are highest, at NRs 18,000 per/month. In Saudi Arabia, differentials are highest, ranging from NRs 9000 to 24,000 per/month. High-income groups are technicians and engineers (NRs 16,000 – 24,000) but interestingly there are

also working contracts for waiters who earn up to 18,000 although most of them earn significantly less (NRs 12,000). While hotel workers have the advantage to be accommodated free of costs others often need to spend some share of their incomes for food and lodging.

Due to the nature of its design this sample survey is limited to demographic data of the migrants and does not answer any more interesting questions about their household economies, working histories prior to departure, decision making processes within the household in relation to who is migrating where, networks of access to manpower agencies, and financing of fees required for taking up overseas employment and, last but not least, remittances from their side. Some of these aspects have been covered in a previous case study on migration from Jhapa district, focussing upon inter-linkages between internal and international migration (see Graner 2001, 2003). This case study (n=80 households) has revealed an interesting chronology of destinations for labour migration. During the 1980s and early 1990s labour migration to carpet manufactories of the Kathmandu valley was by far the largest type of migration. This declined after 1994, when this sector went through a severe crisis (see Graner 2001). By then, the first migrants had left for the Gulf countries (Kuwait).



From 1994 onwards, migration to gulf countries increased rapidly (see Graner 2001, Figure 5). This destination has soon become an attractive option for men from a broad spectrum of socio-economic backgrounds. Besides carpet workers, migrants to other destinations, particularly India, have also joined this "market". Fees for arranging work permits via manpower agencies (NRs 40,000 - 80,000 see above) correspond to a two to three years salary of workers in carpet production and other menial labour, and thus by far exceed household budgets. Loans are usually arranged within villages, and in the cases of more wealthy families within a more narrow family network. In some cases, some or even all land is "temporarily" sold in order to acquire the financial needs. Interestingly, many among those men who had been engaged in carpet production come from families who have only recently become "eligible" for higher-value loans. Originally, these were not granted, due to lack of "collaterals". Yet, after having worked in Kathmandu for some time, these workers have earned credentials for being hard-working and thus trust-worthy for being able to repay loans within an appropriate period of time.

During the last years, the main sources for loans have been remittances of current migrants to gulf countries, which are either used for arranging working permits for other household members, or within the village for other prospective migrants. Thus, remittances are generally directly re-invested in promoting further migrations, rather than being spent in what is, somehow derogatively, called "conspicuous" consumption. House constructions and improvement of existing houses have occurred at a small scale. It will be interesting to see how further remittances will be spent/invested, once the need for further fees declines.

Conclusions

Remittances play a vital role for the Nepali economy, and this fact is increasingly being acknowledged, at least at the macro-level. Important data has been provided by the Nepal Living Standard Survey (NLSS) for 1996/97 as well as by a study undertaken by Seddon, Adhikari and Gurung (1998, 2001, 2002). Yet, due to the importance of this sector, regular assessments need to be carried out, at the macro-level as well as at the micro-level. Case studies at a variety of locations need to look into diversifications of labour migration, in terms of who migrates where and under which particular conditions. Educational aspects need to consider access to different labour markets and income differentials. Networks of access, manpower agencies or private arrangements, and conditions at the destination (incomes and need for expenditures) are similarly important. Gender analyses need to be carried out,

both in terms of potential-migrant labour force and looking into families of households where men migrate and women stay back, or, as is the case in Sri Lanka, vice versa. Finally, arrangements for sending remittances (see Gurung 2003, Wyss 2002) and investments of remittances are important for assessing their role for households as well as for the national economy. Due to fact that many of the migrants are from poorer sections of society, these remittances also need to be analysed from a vantage point of securing livelihoods.

International labour migration has rapidly increased during the last five to ten years. Government policies and administrative reforms have had their share in simplifying procedures. At a local level, the decentralising of issuing passports at district headquarters rather than in Kathmandu only (from 1997 onwards) has been one crucial step (Shakya 2002: 188). At the same time, the organisation and mediating of labour migration has evolved as a lucrative business in the Kathmandu valley, and many businessmen have taken up this opportunity. While most of them have been instrumental in facilitating working permits for their fellow citizens, some others have rather criminally taken advantage of lowly-educated and inexperienced villagers who willingly hand over their savings and, even worse, loaned money to scrupulous hooligans disguised as businessmen. Such practices need to be severely screened and punished. Besides there is an urgent need for "safe" migration and there is also the need to improve the present system in order to make it accessible (such as access to information, collateral free loan, training, pre departure program, re-integration program and equal opportunity for women too) to rural unemployed people of Nepal.

One further reason for the rapid spread of international labour migration, particularly to the gulf countries, is generally seen in the perception of Nepali hill people as "loyal and diligent workers", as stated by Shakya (*ibid.*). Yet, it also needs to be pointed out that another, and possibly even more crucial reason is due to the fact that wage differentials are (much) higher than between the gulf and other (south) Asian countries. Thus, migrants as well as manpower agencies may be inclined to agree to lower wages than workers from other countries. In some cases actual wages even undercut national minimum wages (by about 10 %) in receiving countries, as confirmed by a broker from Qatar in September 2000. This aspect needs much further attention, as it places the notion of "being easy to work with" into a framework of global labour markets, which continuously incorporate new "sources" of workers (Bolaria and Bolaria 1997: ii). At the same time, this indicates a lack of bargaining capacities from the side of Nepali workers and manpower agencies, as analysed in conflict theory (Kent 1993).

Table A1 Estimations of numbers of migrants (for 1997 and 2001)

Region of destination	Estimated no. of migrant workers in 1997 (Seddon & al. 1998, 2001)			Estimated number of migrants (Population Census 2001)	
	No. of workers	Estim. average annual rem.	estim. total remittances [in billion NRs]	numbers	pc.
Western countries	15,000	300,000	4.4	21,000	2.8
Gulf countries	40,000	36,000	1.5	107,400	14.4
East & South East Asia	44,000	300-480,000	22.8	18,600	2.5
India	250,000 (up to 1 million)	24,000	6 (up to 40)	589,050	79.3
other countries	1,000	n.a.	0.2	ca. 7,000	0.9
Total	350,000 (up to 1 million)		35 (to 69)	ca. 743,000	100

Source: Seddon et al. (2001, 51), HMG/NPC/CBS (2002, Table 12)

Table A2: Remittances from different regions of origin (NLSS for 1995/96)

Region of origin	values of remittances					Pc. share of region of origin
	total no.	average values	median values	relation median/average	total values [in 1,000 NRs]	
Nepal (rural areas)	311	5,207	1,500	3.5	1,619	10.3
Kathmandu	135	14,554	6,500	2.2	1,965	12.4
Nepal (other urban areas)	125	14,597	6,000	2.4	1,825	11.6
Nepal (total)	571	11,224	3,000	3.7	5,409	34.2
India (urban)	247	12,440	6,300	1.9	3,073	19.5
India (rural)	72	6,586	2,000	3.3	474	3
India (total)	319	10,532	6,000	1.7	3,547	22.6
Gulf states	11	38,655	2,000*	19.3 *	425	2.7
Other foreign countries	47	136,468	25,000	5.5	6,414	40.6
For. countries (excl. India)	58	117,916	20,000	5.9	6,839	43.3
Total	948	12,090	4,500	2.7	15,795	100

* low number of cases

Source: calculated from Nepal Living Standard Survey data base (HMG/NPC/CBS 1997b)

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BOOK REVIEW

Müller-Böker, Ulrike. 1999. *The Chitwan Tharus in Southern Nepal: An Ethnoecological Approach*. Translated by Philip Pierce. Stuttgart: Franz Steiner Verlag.

Ulrike Müller-Böker's *The Chitawan Tharus in Southern Nepal* is the most thorough and comprehensive work on the cultural ecology of a Tarai people available in English (translated from the German original). It is an important contribution to the cultural ecology of Nepal and will be of particular interest to anyone interested in issues of resource use and indigenous knowledge and to those working in development and conservation, whose name in Nepal is legion. Müller-Böker's aim is to challenge a widely held view in Himalayan research that environmental degradation is due to the ignorance of farmers while avoiding the trap of idealizing the extent of indigenous knowledge of the environment. She does so admirably by documenting in exhaustive detail the knowledge of the natural environment – of soils, plants, forest products and so on – held by the Tharus of Chitwan, one of a number of sub-groups sharing that ethnonym that live in the Tarai of Nepal. In the process she gives us a finely detailed account of the history and development of the Chitwan valley, and a concise look at the beliefs and cultural practices of its Tharu population.

Müller-Böker uses the concept of ethno-ecology rather than cultural ecology to frame her discussion, defining the concept as one that “endeavours to get a hold of a society's store of knowledge about the natural environment, to penetrate into the “cognized environments” or “environments as understood by those who act within them” (p.7). This is not, I should note, an inquiry into Tharu cultural understandings of the concept of environment but an inquiry into how Tharus understand that which is already known to the observer or analyst. This point is explicitly made in the question at the heart of her study: “Are there any correspondences between folk taxonomies and the taxonomies of science,

and what is their nature?" (p. 7). She adds, "A scientific evaluative ingress into cognized environments thus always involves an analysis of the environment as carried out in the western tradition of natural sciences" (p. 8). Despite the superficial resemblances of terminology (e.g. "cognized environments"), her project is very different from the path mapped out for an environmental anthropology by writers like Kay Milton (1996), who have argued that insofar as "environment" refers to "that which surrounds" people, thus including "their fellow human beings, gods, spirits, animals, plants, and whatever else enters their perception" (Milton 1996), an environmental anthropology must focus on the delineation of particular culturally grounded understandings of the concept. For example, what does environment mean for the Tharu? Any answer to that question would have to deal with Tharu beliefs in ghosts, witchcraft and deities, which were as integral to Tharu ideas about the forest and their relationship to it as were the wild animals that dwelt there. Müller-Böker's project is clearly very different; in essence she is interested in what knowledge Tharus have about their environment as it is understood in Western terms; what is their knowledge of plants and soils for example and how do they make use of them?

The first four chapters of the book are devoted to laying the groundwork for the detailed enumeration of Tharu ecological knowledge that will follow in three subsequent chapters. Following an introductory chapter that discusses the concepts and methods utilized in the study, we are given two chapters that deal with ecological conditions in Chitwan and the development of the region. The endemic malaria prevalent in the valley restricted settlement by outsiders until the malaria eradication project of the 1950s, leaving the valley almost entirely to the Tharu and some smaller groups. Development in the modern period began in 1956, and the near-eradication of malaria and the development of communications encouraged immigration into the valley on a scale that soon reduced Tharus to a small minority. Jungles were cleared until most of the remaining forest survived within the national park; the largely forested environment in which Tharu ethno-ecological knowledge was shaped over the centuries has been largely replaced by intensively cultivated farmland. It is significant in this regard that Müller-Böker's fieldwork was mostly in Padampur, an enclave within the national park now in the process of being dismantled and its inhabitants scattered to other areas of the district. A great deal of the cultural knowledge documented in this book is probably being lost to a generation of Tharus whose access to forests and forest products is increasingly limited and whose

dependence on them is being further altered by their dependence on manufactured goods and employment outside agriculture.

The core of the book and its most original contribution comes in chapters 5, 6 and 7, in which she discusses how Tharus perceive their natural environment, how they use its products, and their "ecologically adapted technology." The approach taken is to assess Tharu knowledge in terms of its utility: how Tharus perceive the uses of different types of soils, what sorts of forest plants are edible, which ones may be used as fermenting agents and so forth. Particularly valuable are the long lists she gives of plants known to the Tharu, giving both their local and scientific names and the uses to which they are put. These chapters are also noteworthy for the extensive vocabulary she has amassed of Tharu terms for various aspects of their material culture. The discussion of Tharu technology is framed in terms of the uses that their traditional way of living made of the natural environment, but as I noted above, the forces of social and economic change are making themselves felt in Tharu communities (albeit rather more slowly than in those of their immigrant neighbors) and the importance of the natural environment in shaping Tharu life is perhaps less significant today than it was when Müller-Böker did her fieldwork and certainly much less so than it was at the start of the malaria eradication project. Indeed, her work helps to preserve a local knowledge whose long term viability may well be threatened by the rising tide of social and economic change.

The final chapter deals with the challenge posed to environmental protection by the Tharu traditional economy, in particular given the fact that a third of the valley, including areas of former Tharu settlement, have been included within the Royal Chitwan National Park. On the one hand, Tharus, especially those who live on the park's perimeter and continue to depend on wild products, resent its existence and the constraints it imposes on their ability to harvest them; on the other, if not for the park, many of those same wild products would not exist in economically useful quantities. The general point made here is that while nature conservation in the Chitwan valley cannot succeed unless local needs are taken into account, the resource base on which those local needs depend owe their continued existence to the park. Local knowledge should be made a partner in the development and conservation effort, not seen as a barrier to its success as unfortunately, it all too often is.

In sum, this is a valuable contribution to the ethnography of Nepal, based on rigorously empirical and detailed fieldwork. It is generously illustrated

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with photographs and schematic drawings, and several full color maps of Chitwan that both supplement and enhance the text.

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– Arjun Guneratne